Austria	Sch 20	Indonesia	Rp 3100	Philippines	Pes. 20
Bahrain	Din 0.650	Israel	NS 3.50	Portugal	Esc 100
Belgium	BFr.45	Italy	L 1800	S. Arabia	Rls 6.00
Canada	C$1.00	Japan	Y500	Singapore	S$ 4.10
Cyprus	C£0.75	Jordan	Fils 500	Spain	Pta 125
Denmark	DKr 9.00	Kuwait	Fils 500	Sri Lanka	Rup 30
Egypt	E£1.50	Lebanon	£L 50.00	Sweden	SKr 9.00
Finland	Fmk 7.00	Luxembourg	LFr.45	Switzerland	SFr 2.20
France	FFr. 6.50	Malaysia	Rm 4.25	Taiwan	NT $65
Germany	DM 2.20	Mexico	Pes 300	Tunisia	Din 0.800
Greece	Dr 80	Morocco	Dh 6.00	Turkey	L 350
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6.50
India	Rup 15	Norway	Nkr. 7.00	U.S.A.	$1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,168 — Tuesday February 24 1987 — D 8523 B

Americans count the cost of growing old, Page 20

World news

Iraq 'may resume air raids on cities'

Iraq threatened to renew air raids on Iranian towns and cities and said that thousands of Iranian soldiers had been killed in a battle near Basra. *It said Iran had made a series* of attacks west of the Jasmin River and south of fish Lake.

The Iranian attack ended a three-week lull in the area, scene of fierce fighting this year in which some 80,000 Iranians have died and between 150,000 and 200,000 have been wounded, according to official Iraqi figures.

Iraq also accused Iran of violating Iraqi conditions for a halt in air raids on Iranian towns by shelling Basra and launching the attack. Iran denied shelling the city.

EEC farm protests in Spain, Germany

Hundreds of Spanish farmers dumped crates of lemons in the streets of Murcia, southern Spain, to protest against EEC subsidies paid to lemon exporters from competitor countries, mainly Greece and Italy.

In Leer, West Germany, farmers used tractors to block border crossings between Lower Saxony and the Netherlands in a protest against alleged subsidies paid to Dutch pig farmers.

Italian transport hit

Italian truck drivers and airline pilots began week-long strikes, halving the number of lorries on motor ways and causing domestic flight cancellations. Page 2

Gandhi crackdown

Prime Minister Rajiv Gandhi's Government promised to crack down on Sikh extremist violence in Punjab as thousands of Hindus angered by the killings converged on India's Parliament demanding that Gandhi should "govern or quit."

Cash crisis looms

The EEC is heading for a cash crisis, later this year, with member states giving little hope of early agreement on proposals designed to avert it, officials and diplomats in Brussels said.

100m street dwellers

About 100m people in the world are living out on the streets, including 20m children in Latin America, an International Labour Organisation report said. More than 1bn people, a quarter of the world's population, are either homeless or in extremely poor housing.

Philippines plea

Philippines Government peace negotiators sought help from 11 Roman Catholic bishops in a bid for a lasting truce with communist rebels. Page 4

Vietnam enterprise

Vietnam announced sweeping measures to encourage private enterprise in Hanoi, one week after a Government reshuffle promoted economic reformers, Page 4

Lima bomb blast

Peru's Attorney-General escaped unhurt, but his son and two other people were slightly injured when a bomb exploded as their car went through suburban Lima. Police blamed Maoist Sendero Luminoso (Shining Path) guerrillas.

Mafia trial begins

A trial of 115 suspected members of Milan Mafia gangs which controlled the city for 10 years began in Milan, but the alleged boss chose to stay away from the hearing.

ILO accuses Bonn

West German authorities were discriminating against communists in public service jobs, the International Labour Organisation said, adding that such discrimination broke an ILO convention on employment.

Business summary

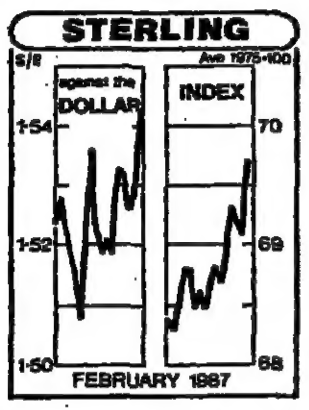
Elders to bid for Carling O'Keefe

ROTHMAN'S INC, Canadian subsidiary of Rothman's International, said Elders IXL, Australian brewer, will make a cash takeover bid for *Carling O'Keefe at C$18, ($13.8)* a share. Rothmans Inc said it planned to tender its 10.9m shares, or 50.1 per cent, of Carling O'Keefe to Elders. Page 21

RUPERT MURDOCH'S News Corp *saw* turnover and profits rise to record levels on stronger UK earnings, increased investment income and new contributions from US film and television interest. Page 25

GOLD rose $4.00 to $403.75 on the London bullion market. It also rose in Zurich to $403.25 ($398.85). Page 38

DOLLAR closed in New York at DM 1.84; SFr 1.555; FFr 6.1285 and Y153.7. It rose to DM 1.83 (DM 1.8275); to FFr 6.0925 (FFr 6.0875); to SFr 1.5460 (SFr 1.5445); and to Y153.65 (Y153.60). On Bank of England figures the dollar's index rose to 104.1 from 104.0. Page 37



STERLING closed in New York at $1.539. It rose in London to $1.5425 ($1.5285); to *DM 2.8225 (DM 2.7950)*; to FFr 9.3975 (FFr 9.3050); to SFr 2.3850 (SFr 2.36); and to Y237 (Y234.75). The pound's exchange rate index rose 0.8 to 69.7. Page 39

WALL STREET: The Dow Jones industrial average closed *down* 18.7 at 2,216.54. Page 46

TOKYO: Brazil's suspension of foreign debt interest payments sparked a wave of selling which centred on financial issues. The Nikkei average fell 139.89 to 19,940.50. Page 46

LONDON securities markets gave a cautious response to the Paris agreement on exchange rates and, despite good economic news at home, were unsettled by Wall Streets sharp early drop. The FT-SE 100 index lost 21.8 to 1,939.7 and the FT Ordinary index was down 10.1 at 1,558.9. Page 46

RALLY Manufacturing, Chicago casino company and maker of slot machines, has thwarted a threat to its independence by agreeing to buy shares held by Donald Trump, the New York real estate developer and casino operator, at what appears to be a substantial premium to the market. Page 21

DAISHOWA America, US subsidiary of Daishowa Paper Manufacturing of Japan, has agreed to buy the corrugated cardboard manufacturing units of Louisiana-Pacific of the US for Y26bn ($170m). Page 21

COMINCO, Vancouver mining and fertiliser group's new owners have continued their spring cleaning by providing C$157m (US$118m) for expected losses on the disposal of non-core businesses. Page 22

EUROFER the association of integrated European steel producers, outlined plans for a further 5.7m tonnes of capacity cuts, bringing the total it is prepared to sacrifice to 15m tonnes. Page 2

SCANDINAVIAN Airlines Systems (SAS) is trying to restore an air link to East Africa which it had to abandon as unprofitable after cancelling flights to Johannesburg in 1985.

PHB Weserhütte, big West German bulk handling and mining equipment group, said it had to take "exceptionally high lesson" last year because of trouble in its French subsidiaries. Page 21

A security guard outside the Paris court

Abdallah quits his French terror trial

BY DAVID HOUSEGO IN PARIS

MR Georges Ibrahim Abdallah walked out of Paris' main criminal *court yesterday on the first day of* his trial on terrorist charges after a passionate indictment of the court's ability to judge him.

Leaning over the microphone in the prisoner's deck, chanting his words with a slight Arab accent, Mr Abdallah *told the court*: "I am only here to ask you to wash your hands stained with our blood and those of our children before you pretend to judge us." After his 20-minute political speech he turned his back to walk out – as is his right under *French law, leaving his defence to* his lawyer.

The president of the court, Mr Maurice Colomb, urged him to stay on the grounds that the court had given him the right to express himself. *Mr Abdallah replied that he* had no wish to bear, and did not want to remain on ground that brought him in contact with the "Yankee criminal" – a reference to the US Government, which is also represented as a plaintiff in the case.

Mr Abdallah, believed to be the leader of the Lebanese Armed Revolutionary Faction (Farl), which has been responsible for terrorists attacks both in France and elsewhere in Europe, is on trial for complicity *in the murder of an American and* Israeli diplomat in Paris in 1982 and in an attack on the US Consul General in Strasbourg.

Terrorists seeking his release planted bombs in Paris in September which killed 11 people and wounded over 150 others. As a result, yesterday's hearing was the most heavily-guarded trial Paris has witnessed for many years, with 3,500 special police on duty in the capital and around the Palais de Justice where France's main criminal cases are heard.

But police kept a low profile in the wood-panelled courtroom and lawyers said the atmosphere was more relaxed than when Mr Regis Schleicher, the Action Directe leader *went on trial in December.* Mr Schleicher threatened that Action Directe would kill any juryman finding him guilty – with the result that Mr Abdallah now faces a special tribunal of seven magistrates.

There is little doubt, as well, that police success in capturing most of the remaining Action Directe leaders over the weekend – thus dismantling one of the main terrorist networks in France – helped to lift fears that the trial would be the occasion for another wave of bomb attacks in Paris. In the 40-page document of charges read out against Mr Abdallah there were scattered references to Action Directe, pointing to the links between the two organisations.

While denying the accusations, Mr Abdallah declined to answer

Continued on Page 20

EEC backs Soviet call for Mid-East peace conference

BY QUENTIN PEEL IN BRUSSELS

THE 12 member states of the European Community yesterday lent unanimous support to the Soviet Union's idea of an international peace conference in the Middle East.

They gave their backing to the idea contained in a letter from Mr Mikhail Gorbachev, the Soviet leader, in which he announced his intention to call a conference to resolve the Arab-Israeli conflict.

However, the 12 stopped short of spelling out conditions for participation pending the reaction of the countries in the region.

The Israeli coalition Government is deeply divided over the proposal for an international conference. In the US last week Mr Yitzhak Shamir, the Israeli Prime Minister, repeated the Likud block's opposition to such a forum which would give the Soviet Union a role in the peace process despite the fact that the US Administration is in favour of it.

Mr Gorbachev's approach to the Community, in the form of a letter to Mr Leo Tindemans, the Belgian Foreign Minister and chairman of the EEC Foreign Ministers, is the first direct recognition by the Soviet Union of the political as opposed to economic co-operation of the 12 states.

It brought a swift and positive response in the shape of European willingness to play a part in convening a conference. Mr Tindemans delivered this message to the Soviet ambassador to Belgium last night.

The ministers were emphasised the importance of their move as an effort to break the deadlock on peace efforts in the Middle East.

Sir Geoffrey Howe, the British Foreign Secretary, said: "The present stagnation in the peace process is dangerous and unstable. There is a growing view that an international conference could provide the necessary catalyst."

By offering their political support for the idea, the 12 hoped to "inject momentum into a process that has been blocked too long," he said.

Mr Tindemans said the letter from the Soviet leader spelt out his intention "to call for a conference on the Middle East." The letter was otherwise couched in general terms.

"We will see how others react," he said. "It is not the European Community or the 12 who are organising that conference."

The Foreign Ministers' declaration says they are "in favour of an international peace conference to be held under the auspices of the United Nations with the participation of the parties concerned and of any party able to make a direct and positive contribution to restoration and maintenance of peace and to the region's economic and social development."

That leaves the door open for the participation of the Soviet Union itself as well as the Palestinian Liberation Organisation (PLO). The Israeli Government is opposed to both.

European diplomats point to the division within Israeli ranks between Mr Yitzhak Shamir, the Prime Minister, who last week repeated his hostility to any Soviet participation, and Mr Shimon Peres, the former Prime Minister and Foreign Minister, who is willing to consider the idea.

The Foreign Ministers added that they "would be prepared to play their part with respect to such a conference and will endeavour to make an active contribution" – again without saying whether they expected to participate directly.

Mr Tindemans hinted that he might be prepared to undertake some sort of personal mission to the region.

Editorial comment, Page 18

SYRIA DETERMINED TO QUELL MILITIAS

FOUR CIVILIANS were killed in Beirut yesterday as Syrian troops came under fire while they began to clear armed militiamen from the western sector of the city, writes Nora Boustany in Beirut.

The incident occurred in the Al Mreisseh seafront district as the task force sought a prominent Druze local commander, Saleh Dik. The sound of exploding grenades and bursts of automatic fire sent residents running for cover but did not seemed to halt a major deployment of up to 7,000 troops who entered west Beirut on Sunday afternoon.

The shoot-out happened despite assertions by Mr Walid Jumblatt the Druze leader, that all Druze Progessive Socialist Party gunmen would hand over their arms to the Syrians.

Earlier dazed Beirut residents staggered out of their homes, incredulous that peace was really at hand. The lull followed the arrival of Syrian troops over the past two days with the declared aim of finishing off armed gangs and street bosses.

In the afternoon, combat-ready Syrian soldiers carrying rocket propelled grenades and riding in trucks mounted with multi-barrelled rocket launchers surrounded the Cavalier Hotel off Hamra Street and dragged

Continued on Page 20

Dollar steadies but scepticism greets G5 pact

BY STEWART FLEMING IN WASHINGTON AND *JANET BUSH IN LONDON*

THE FOREIGN exchange markets yesterday delivered a cautious first reaction to the currency stabilisation accord reached in Paris on Sunday, with the US dollar trading quietly and ending the day little changed.

However, a large measure of scepticism was expressed by dealers about the rather vague wording of the agreement by the Group of Five industrial nations and Canada. They said it was only a matter of time before the market tested the resolve of central banks to maintain current currency values.

The dollar closed in London at DM 1.8300, only marginally above its close on Friday at DM 1.8275 and was otherwise virtually unchanged against the Japanese currency at Y153.65.

The focus this week is likely to be on Friday's January US trade figures, which have been one key factor in dollar trading in past weeks, and on the publication on Thursday of the Tower Commission report on the Iran arms affair, which is expected to be extremely critical of the US Administration.

In Washington, US budget experts expressed cautious optimism that the US might make significant progress towards achieving the budget deficit reduction target agreed at the weekend meeting of leading industrialised countries in Paris. But few analysts expect the full deficit reduction promised in Paris to be achieved.

Much will depend on whether the Democrat-controlled Congress succeeds in drawing up a budget reso*lution which promises a significant* reduction in the deficit and how President Ronald Reagan reacts to a Congressional budget resolution involving different spending and revenue raising priorities than his own.

The US agreed in Paris to pursue policies aimed at cutting the Federal deficit from an expected 3.9 per cent of gross national product (GNP) in fiscal 1987 to the equivalent of 2.3 per cent of GNP in fiscal 1988.

This conforms with the $108bn deficit target net in the budget Mr Reagen sent to Congress last month and with the target set under the Gramm-Rudman budget reform legislation.

Exchange dealers in London acknowledged that the market's view has shifted in recent weeks and is no longer unanimously negative about the dollar's prospects. There is a feeling that, although the dollar remains vulnerable to weak economic data or political factors, any further decline is likely to be limited.

Senior G5 officials voiced hopes at the weekend that there might not be any need for substantial central bank intervention to maintain current parities *because* economic fundamentals were already working in favour of more stability on foreign exchanges.

However, it is likely that the foreign exchange market will sell dollars in an attempt to find the level which would trigger central bank intervention to support the currency.

The only obvious beneficiary of the weekend agreement yesterday was sterling.

Men and matters, Page 18; Lex, Page 20; *Money markets*, Page 39

London evening newspapers prepare for war

By Helen Hague and Raymond Snoddy in London

A LONDON evening newspaper circulation war unrivalled since the 1950s will break out today as two new titles simultaneously break the Evening Standard's seven-year monopoly.

Lord Rothermere, chairman of Associated Newspapers, announced *yesterday on the eve of the launch* of Mr Robert Maxwell's London Daily News that the Evening News would be revived today. The Evening News was merged with the Standard and closed in October 1980.

Mr Maxwell, a Czechoslovak-born millionaire, said that the Evening News was a spoiling operation and "a temporary phenomenon." The publisher of the London Daily News, billed as Britain's first 24-hour newspaper, also denounced Associated's surprise move as a "gimmick and a joke" and added: "As far as I know this is the longest gap between death and resurrection in history."

Mr Maxwell added: "It's a high *wire act by Lord Rothermere. I pre*dict he will fall in a very undignified manner. The Evening News is not Rambo it's cheapo. It won't last." Mr Maxwell has hired 180 journalists for his new paper and is spending £25m ($38m) on its launch.

The launch of the Evening News at 15p, 5p less than the other two papers could cause a price war as well as a circulation war. The Mirror publisher said yesterday: "We *will probably start to cut prices very* very soon. We will do it in the West End and the City areas (where the Evening News will be on sale)."

The plan to revive the Evening News was considered at an Associated board meeting a week ago on Monday and given the go-ahead by Lord Rothermere two days later. The new 24-page paper will be edited by Mr John Leese, the Standard editor and a staff of freelance and contract journalists, which, *according to Standard chief executive* Mr Bert Hardy, would be "small by Fleet Street standards."

The paper will have a single late afternoon edition to coincide with the Evening Standard's last edition.

It will be typeset under contract at a National Graphical Association organised print shop in central London. Plates will be delivered to run on the Evening Standard's presses.

Associated has conducted several feasibility studies over the past 12 *months, but Evening Standard jour*nalists learned of the imminence of the venture only yesterday.

Le Figaro owner wins contract for French private TV network

BY PAUL BETTS IN PARIS

CONCESSIONS to operate private *television networks in France were* yesterday awarded to Mr Robert Hersant, the right-wing press baron, and to a consortium led by the Luxembourg-based CLT broadcasting group and the Lyonnaise des Eaux water utility.

The concessions were awarded by the newly formed Commission Nationale de la Communication et des Libertés (CNCL), the communications regulatory body which has been modelled on the US Federal Communications Commission.

The decision by the regulatory commission (CNCL) is the first in a series of wide-ranging moves which will radically alter the French television broadcasting industry. They also coincided with the deadline for *applications to operate* TF-1, the state television network due to be privatised shortly, which expired at midnight last night.

Mr Hersant, the owner of Figaro, *was granted the concession to op*erate the private commerical network know as "La Cinq" or the Fifth Channel which specialises, in detective series, soap operas and light entertainment. The consortium called Metropole TV, linking the Luxembourg CLT group with the Lyonnaise des Eaux, was granted the franchise to operate the sixth channel, or TV6, which has concentrated up to now on music and video-clips.

Mr Hersant and his partners successfully fended off a strong challenge for the network from Sir James Goldsmith, who led a rival consortium for the Fifth Channel.

But the CNCL decision granting the Fifth Channel concession to Mr Hersant immediately provoked protests from the opposition Socialist Party. Mr Jean-Jack Queyranne, the Socialist Party spokesman, claimed that Mr Hersant would now be able "to look after the propaganda of the Government directly." The Socialists said the decision raised questions over the independence of the new regulatory commission and suggested it was "under orders" from the Prime Minister's office.

Mr Hersant, who controls nearly 30 per cent of the French daily press, has long sought to expand into television broadcasting. After the right returned to power last March, the newspaper magnate, who is also a neo-Gaullist RPR deputy, was widely expected to be granted a television concession.

Mr Hersant had originally expressed interest in TF-1 but then switched his sights to the Fifth Channel, forming an alliance with the network's current operators, Mr

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GORBACHEV DEFUSES THE CIVIL RIGHTS TIMEBOMB

Iusuf Begun's release is symptomatic of a new attitude to political prisoners in Moscow. Page 3

EUROPEAN NEWS

FT Correspondents report on reactions to and likely effects resulting from the Paris meeting

Tax pledge complicates Bonn coalition talks

BY PETER BRUCE IN BONN

WEST GERMANY'S coalition partners entered their fourth week of post-election policy talks yesterday still split on the outlines of a planned DM 40bn (£14.5bn) tax reform and with their task complicated by Bonn's promises to the currency meeting in Paris on Sunday.

Both the liberal Free Democrats (FDP) and the ultra-conservative Bavarian CSU want corporate tax and the top marginal rate of income tax cut from 56 per cent to at least 53 per cent, but they have run into stiff opposition from Chancellor Helmut Kohl's Christian Democrats (CDU).

It also became clear yesterday that a promise in Paris by Mr Gerhard Stoltenberg, the Finance Minister, to add to a planned DM 9bn tax cut next year had only been cleared in broad terms with Mr Kohl and the other party leaders and still has to be negotiated. The Finance Minister is expected to try to bring forward to next year some DM 5bn in cuts originally intended for the DM 40bn package.

But not only does this have to be picked over in detail in the coalition, legislation will also have to go through the Bundestag.

The infighting over a cut in the top tax rate reached a pitch at the weekend, with Mr Kohl apparently coming out in support of his Labour Minister, Mr Norbert Bluem, who opposes it. Only on Friday, however, did Mr Stoltenberg, a CDU leader, come out with proposals to cut corporate taxes to 52 per cent and the top income tax rate to 55 per cent.

This was immediately shot down by the CSU and the FDP. The latter stand to lose a great deal of political face if they have not made headway with their demands by the time the state of Hesse goes to the polls on April 5. The FDP tries to appeal to entrepreneurs, while the CDU, which did badly in the January election, has become nervous about offending poorer people.

Theoretically, failure to agree on the tax reform outline could jeopardise FDP support for the formal election of Mr Kohl as chancellor on March 11. It is possible, though, that the entire discussion this week could veer away from top rates of income tax. Mr Bluem has proposed a system whereby people paying trade tax (a local authority tax on businesses) could deduct part of it from income tax, and the FDP leader and Economics Minister, Mr Martin Bangemann, has signally failed yet to reject it.

Such a discussion would be bound, however, to become fouled in long political debate about what proportion of income or corporate tax could be deducted after paying the trade tax.

A senior Government official, meanwhile, was moved to deny yesterday that the constant coalition squabbling meant that Mr Stoltenberg was losing authority over the DM 40bn reform. There is a broad recognition here, however, that the row over top tax rates has demonstrated just how difficult it is going to be to negotiate the entire package, especially the financing of it.

With 11 state elections scheduled between now and 1991 when the first stage of the reform is due, the entire package seems likely to become hostage to the political fortunes of any of the three coalition members.

Italians approve walk-out

By John Wyles in Rome

MR BETTINO CRAXI'S gamble in pulling his Treasury Minister, Mr Giovanni Goria, out of Sunday's meeting of Western finance ministers appeared to have won wide public support in Italy yesterday.

The Socialist Prime Minister's reaction to the alleged breach of last year's Tokyo summit agreement on international monetary consultations has been seen as a slightly awesome act of "speaking up for Italy."

Italian diplomacy, however, now faces the task of achieving an acceptable "clarification" of the Tokyo agreement which will enable it to withdraw Mr Craxi's threat not to hold the world economic summit in Venice in June.

In Rome's view there is no point holding such gatherings if agreements made there are broken. Mr Goria's exclusion from the late afternoon consultations between the Group of Five finance ministers on Saturday which dealt with the measures announced on Sunday was a "flagrant" breach of the Tokyo accord, said Mr Antonio Badini, Mr Craxi's diplomatic adviser, yesterday.

In Brussels, Mr Giulio Andreotti, the Italian Foreign Minister, indicated yesterday, however, that Italy would not be the country to call off the Venice meeting.

Mr Andreotti — the man widely regarded as the most likely next Christian Democrat Prime Minister — said that Italy would not "interrupt the tradition of the G7," the seven-nation group which includes Italy and Canada as well as the US, Japan, West Germany, Britain and France from the Group of Five.

President Francois Mitterrand of France is due to visit Rome tomorrow and is expected to discuss the dispute with the Italian Government. Officials said, however, that the visit had been planned for some time and had not been arranged as a mission to smooth over the squabble.

Exchange rate pressures grow in Japan

BY IAN RODGER IN TOKYO

Japan's Finance Minister, Mr Kiichi Miyazawa, said yesterday that economic measures agreed at the Paris meeting to stop the dollar's decline were "satisfactory" for Japan, AP reports from Tokyo.

The agreement calls for co-operation to stabilize exchange rates at near current levels and alleviate trade imbalances, he said on his return. But that would not mean "the rates will be fixed," he told a news conference.

"The rates would float according to economic fundamentals . . . and we expect the fundamentals would improve in the US."

IN PARIS at the weekend, Japan explicitly committed itself to "follow monetary and fiscal policies which will help to expand domestic demand." This is not the first occasion at which it has made such an undertaking, but Japan's concerns over the depreciation being wrought on its economy by a soaring currency have never been stronger.

Having pushed hard for the ministerial meeting, it must be assumed that Mr Kiichi Miyazawa, the Finance Minister, meant what he promised.

But the Japanese power system is complex and what a finance minister promises in Paris can look very different in the cold light of Tokyo. Conservative forces inside the Government remain as averse to conventional fiscal stimulation of the economy as the country's influential business establishment has traditionally been.

Yet their views are not set in concrete. Mr Eishiro Saito is the new chairman of the Keidanren, the most important of Japan's business associations, often compared with the Confederation of British Industry but packing much more political clout.

A career steel industry executive, whose motto is "pursue light, no darkness in sight," he recently gave the FT the benefit of his organisation's assessment of Japan's needs and obligations in an interview conducted before the Paris meeting, but when the debate over the value of the yen and the policy options confronting his country were already at a peak.

Mr Saito has acquired some notoriety for his views on the exchange rate, but he does not shrink from reiterating them. "I think the yen should be at least Y190 to the dollar for manufacturing industry, but it would be satisfactory in a wider range from Y180 to Y200.

"That is probably wishful thinking, but both management and labour unions are putting the view strongly to the Government and the Prime Minister that we hope to see the exchange rate return to this level.

"In our view, the prevailing exchange rate is too high. Japanese manufacturing industry cannot survive. We have been thrown into this condition all of a sudden."

He acknowledged, however, that some industrial sectors, such as refining and retailing, were benefiting significantly from the rise in the yen.

The Keidanren's main concerns this year are likely to be the growing level of unemployment and the ongoing trade frictions. Until now, the organisation has been a vociferous opponent of the Government's deficit financing, but Mr Saito indicated that this line has softened.

"The Government should not abandon its commitment to eliminating deficit financing by 1990. On the other hand, because of the rise of the yen, we see a very serious unemployment problem developing, especially in manufacturing industry. Under these circumstances, the flotation of national construction bonds is a positive measure and we support it."

On the trade front, the Keidanren has floated the idea recently that Japan should voluntarily cut exports of some products, mainly with a view to preventing the yen from rising still further. "We should conduct sector specific negotiations and, if need be, we should restrain exports," Mr Saito said.

Not surprisingly, the idea has been picked up in government circles and, if the yen resumes its upward course, it would probably be implemented.

His message was simple: Japan's leaders realised they had to change the way the country's economy worked. They could no longer rely on exports and a closed domestic market for prosperity. "But it will take time—as long as five years. There is no possibility here of a quick fix. Trade surpluses of tens of billions of dollars cannot be wiped out in one stroke."

He recognised the need to abandon the export orientation of the economy and pointed to several changes under way, particularly in basic industries. The coal mining industry, for example, was being reduced to one-fifth of its former size.

"In a few years' time, our steelmakers will switch entirely to imported coal. Even in the agriculture area, which has been considered sacrosanct, economic organisations such as this are coming to hold the view that something basic should be done.

"We have been doing our best. It should be duly noted, appreciated. What more can we do?"

But beneath that reassuring message was a strong undertone of the bitterness that many Japanese who lived through the hard reconstruction period after the war feel about the pressures on them to change their ways.

"They think of Japan as a weak country, with few natural resources and 'only one twenty-third as much land as the US land available for habitation, and a population of 120m to house in that very small space,' said Saito said.

According to this widely held view, the country had no choice after the war but to import raw materials, process them and export 30 to 40 per cent of the m just to get foreign exchange.

Mr Saito, a former chairman of Nippon Steel was understandably unhappy about what was happening to the steel industry. Nippon Steel, until recently one of the most successful steel companies in the world, is suffering huge losses and has just approved a plan to cut its capacity by 30 per cent.

Eurofer plans further 5.7m tonnes cutback

BY WILLIAM DAWKINS IN BRUSSELS

Eurofer, the association of integrated European steel producers, yesterday outlined plans for another 5.7m tonnes of capacity cuts, bringing the total it is prepared to sacrifice to 15m tonnes.

Industry officials presented the details in Brussels to Mr Karl-Heinz Narjes, the European Industry Commissioner. This follows the publication of a report outlining 9.17m tonnes of possible closures last month.

Eurofer is offering voluntary production cuts in a bid to delay for three years Commission plans to wind down by the end of 1987 the system of price and production quotas which has supported EEC steel producers since 1980.

The association has pledged to provide fuller details of potential closures, including the mills to be shut or restructured, by March 1 in time for EEC member states' national officials to digest before being debated by a meeting of industry ministers on March 19.

The 5.7m tonnes identified yesterday represent rolling capacity and represents a big step forward for the Eurofer restructuring plan.

It has evoked some scepticism from the Commission, which has been uncertain about Eurofer's ability both to deliver the volume of cuts needed and to win the co-operation of independent producers, representing 40 per cent of EEC steel capacity.

Yesterday's report does something to meet both criticisms because the 15m tonne total is well ahead of the 11.9m tonnes originally offered by Eurofer last year. That is because it includes the participation of 13 independent producers, with the remaining 22 belonging to Eurofer.

The total is the result of a study by accountants Peat Marwick into 35 steel European steel makers. Eurofer confirmed that the final report would be submitted to the Commission and to national governments by the deadline; but that it would not be possible to discuss the plan with the authorities involved until then.

Spanish wage talks face tough passage

BY DAVID WHITE IN MADRID

SPARRING over this year's wage increases in Spain begin in earnest this week with negotiations at the country's two largest employers – the state-owned Renfe rail network and Telefonica, the semi-state telecommunications group – and at Iberia, the national airline.

The communist workers' union federation, which recently gained a majority position in all three companies, is fielding joint claims with the socialist-led UGT. Their claims range 7 and 8 per cent – well above the government's 5 per cent guideline.

The opening of what promises to be a tough bargaining process coincided yesterday with the signing of a truce between the Education Ministry and the last important student organisation not yet to have endorsed the Government's offer for reforms in secondary schooling.

After the recent wave of student unrest, the militant State Co-ordinator of Secondary and University School Students, said it would call off further protests but would be "vigilant" to see that the Government kept its word. It would also continue to press for the abolition of university entrance examinations.

Other student bodies signed an agreement last week after the ministry offered to drop fees for state high schools, increase high school and technical college capacity and boost scholarship funds.

Bid to heal EEC split on research

By William Dawkins in Brussels

BELGIUM was attempting last night to heal divisions between the EEC's three biggest member-states and the rest over future research and technology spending.

The Community's 12 research ministers met in Brussels for a preliminary debate on the European Commission's proposals for an Ecu 7.735bn (£5.7bn) research budget from 1987 to 1992, ahead of today's meeting of the Research Council, which has the final say.

Belgium, as council chairman, is expected today to table a compromise in a bid to end the resistance the proposal for increased research funding has encountered from France, Britain, West Germany—the EEC's three net budget contributors—and the Netherlands.

They argue the Commission is asking for too much and that it has not properly scrutinised the likely effectiveness of the spending it wants.

The Commission says this is not a budgetary question, rather, an inviolable part of the Community's response to the need to keep pace with technology in Japan and the US.

It is supported by Greece, Italy and Portugal, though Belgium and Spain would agree to a smaller figure than the Commission proposes.

Belgium is understood to be hoping to get member-states to unite around a figure of Ecu 6.6bn—preliminary estimate of the genuinely new spending decisions likely to take place under the new programme.

The existing four-year Ecu 3.5bn research budget, which runs out at the end of the year, has been underspent by Ecu 1.08bn because, says the Commission, of budgetary prudence.

By docking that figure from the new programme, the Belgian presidency hopes to reach something near a budget Community experts can accept.

Britain is likely to stick in wanting no more than Ecu 4.2bn while Bonn believes an accord is so remote that today's meeting is not worth holding.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and as members of the Board of Directors, F Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Basque Socialists agree terms for coalition

BY OUR MADRID CORRESPONDENT

SOCIALIST leaders in the Basque country reached agreement last night on a coalition government with the Basque Nationalist Party (PNV), ending 12 weeks of intensive inter-party negotiations and staving off the threat of another election in the troubled northern region.

The planned new government is to be headed by Mr Jose Antonio Ardanza, the outgoing Basque president of the PNV. Mr Ramon Jauregui, currently chief representative in the region for the Madrid Socialist Government, will be vice president.

The PNV lost its dominant position in the Basque parliament last November after the formation of a splinter party.

However, it is now to share cabinet posts equally with the Socialists, who will take the main economic portfolios.

The new coalition, which jointly holds 36 of the parliament's 75 seats, will be put to the test in June in municipal elections.

Details of the accord, the key parts of which cover further transfer of power from Madrid and policy towards Eta terrorism, are to be disclosed on Thursday when the parliament is due to meet to vote in a president.

The Socialists had an agreement to support the PNV in the last parliament, but this is the first time they will be taking part in a coalition.

Meanwhile, Spanish state prosecutors appealed against a court verdict allowing Mr Juan Carlos Yoldi, to leave prison, where he is being held on terrorist charges, to speak in Thursday's session of the Basque parliament as presidential candidate for the extreme Herri Batascuna party.

Rotterdam dock peace hopes

BY LAURA RAUN IN AMSTERDAM

TALKS between striking dock workers and cargo companies in the Port of Rotterdam are to continue today amid signs that an end may be in sight to the five weeks of lightning strikes that have hit the world's biggest harbour.

The FNV transport union and general cargo companies are to resume discussions for the third day on mediation proposals tabled by Labour Ministry under-secretary Mr Louw de Graaf. Following "substantive talks" yesterday, he has suggested ways of limiting job losses to 200 and still saving money for the employers, who want to cut 350 jobs this year in a bid to restore profitability to this sector.

If the two sides fail to settle their dispute by March 2, Mr De Graaf has given a warning that he will halt annual state subsidies of around Fl 10m ($5m) for idle stevedores during slack periods.

EUROPEAN NEWS

Boost for Europe's mobile phone plan

By David Thomas

THE plan to set up a pan-European mobile communications system by the early 1990s received a boost at a meeting of experts from all main European countries in Madeira last week.

However, for the plan to go ahead, France and West Germany will have to fall into line with the system backed by the rest of Europe. The Madeira meeting was called to try to agree outline standards for a pan-European digital system, which would allow mobile communications across Europe for the first time.

It would also help deal with capacity problems which are expected to emerge by the early 1990s in the first generation analogue systems, set up in each country on the basis of incompatible standards.

The meeting considered the results of trials carried out in Paris last year by the European telecommunications authorities of eight initial proposals for a pan-European system put forward by West German, French and Scandinavian companies.

The trials came down in favour of a narrow band solution to the problem of access to the frequency channels, which was supported by six of the initial proposals. They also concluded in favour of a set of standards which were picked from a number of the initial proposals.

Thirteen of the countries represented at Madeira went along with these conclusions. However, France and West Germany said they preferred a wideband solution, the approach adopted by some of the French and West German proposals during the Paris trials.

They have agreed to reconsider their positions and inform the other participants by March 16.

Mobile communications experts believe that a pan-European system could open up a huge market for European equipment suppliers. However, they also believe that Europe must move fast to set up the system in order to prevent US and Japanese companies from supplying most of the equipment.

Kurdish attack leaves 14 Turks dead

By David Barchard in Ankara

KURDISH terrorists have killed another 14 people in an attack on a village guard house in eastern Turkey close to the Turkish-Iraqi frontier. The semi-official Anatolia News Agency said that the dead were mostly women and children. nine other people were wounded, six seriously.

The attack appeared to be the latest in a series carried out by terrorists entering Turkey from across the frontier. In each case the target has been the home of "village guards," a recently created force who protect the local civilian population.

The latest killings underline the seriousness of the security problem in eastern Turkey. Terrorist attacks have claimed 34 lives in five separate attacks since mid-January. Most of those killed have been women and children. Since the present terrorist campaign began in eastern Turkey on August 15 1984 there have been 433 violent clashes

Patrick Cockburn reports that the release of dissidents will free Moscow from an old propaganda war with the West

Gorbachev learns to defuse weapon of human rights

THE RETURN to Moscow yesterday of Mr Iusuf Begun and the earlier release of Mr Boris Koryagin, two of the most prominent imprisoned Soviet political dissidents(brings the Kremlin's bid to defuse the issue of political prisoners to a climax.

When Mr Mikhail Gorbachev became leader in 1985, between 750 and 900 people were held on political grounds in labour camps, prisons or exile according to well-informed diplomats in Moscow. They estimate another 1,500 prisoners were held for religious activities.

During the first 18 months Mr Gorbachev was in power there was a trickle of releases, but the signal that overall policy had changed did not come until the release from exile in December of Dr Andrei Sakharov, the leading Soviet dissident. The Soviet authorities say that in recent weeks they have freed another 140 prisoners and are reviewing another 140 and 150 cases.

The problem for Mr Gorbachev is that in the short term the process of releasing prisoners has reactivated, in the eyes of world public opinion, the issue of human and civil rights in the Soviet Union. He seems to have ruled out a general amnesty. The obvious method of dealing with this, as too evident a repudiation of the policies of the Brezhnev years.

The result is that Soviet foreign policy makers, conscious of the damage to the Soviet image abroad, have been trying to speed up the releases while the Ministry of the Interior and the police have moved slowly and obstructively.

But, for all the fits and starts of recent releases, Mr Gorbachev and the men around him have come to believe that they paid far too heavy a political price in terms of the Soviet Union's international reputation for the detention of a small number of dissidents.

They do not pose any political threat because there has not been a dissident movement, in the sense of a loosely organised opposition, for almost 10 years. Belief in its existence is fostered by the common fate of individuals not conforming to the political norms of the Brezhnev era, rather than a reflection of the activities of a political organisation.

This was not always so. The movemen had its greatest impact on Soviet intellectual life between 1967 and 1977 during which time, writes Dr Medvedev, it "created an alternative ideology and competed rather successfully with the mighty propaganda apparatus of the state."

But by the end of the 1970s and early 1980s, increased repression at home and the decline and eventual collapse of detente between Moscow and Washington leargely destroyed the organised dissident groups. In 1982 Mr Vitaly Fedorchuk, the head of the KGB security police, said: "Only 15 or 20 of them are still at liberty and we could arrest them all in one day."

Despairing of the forces for change within the Soviet Union, many dissidents looked to the West as their only source of leverage. "The Western Governments must try to obtain concrete results," Dr Sakharov said in an interview in 1978.

The price for this reliance on the Western press and governments was almost complete political isolation for the dissidents within their own country. The dissident groups had largely sprung from and belonged to the intelligentsia, but over the last 10 years, few well-known intellectuals turned to active opposition.

Despite this, dissidents were significant for two reasons: They expressed opinions at a time when the Kremlin regarded as a state secret everything from a ship sinking to the infant mortality rate and, more important, their fate was regarded by much of Western public opinion as a barometer of the state of human rights within the Soviet Union.

The biggest impact of the releases within the Soviet Union is likely to be on the intelligentsia, from whom the prisoners largely come. The release of Dr Sakharov and the greater freedom of expression in the press and arts allowed under Mr Gorbachev has led much of this influential group to give strong support to the present leadership. Intellectuals long passively alienated under Mr Brezhnev and initially cynical about Mr Gorbachev, have become fulsome in his praise over the last six months.

This change in the political sympathies of the strata from which most of the returning political prisoners spring means that the natural constituency for opposition no longer exists as it used. Mr Gorbachev and his supporters are much more nervous of the threat from the conservatives within the party and state machine than they are of writers and academics, in prison or out.

The real pay-off for Mr Gorbachev is not applause from intellectuals in Moscow but the knowledge that political prisoners will no longer be a ball and chain on Soviet foreign policy.

It is this which clearly concerns Mr Anatoly Scharansky, freed a year ago, and other campaigners for freedom to emigrate for Soviet Jews, of whom there are about 1.8m. Political prisoners, dissidents, Jewish emigration and Jews refused exit visas are peripheral issues in domestic Soviet politics and the Kremlin wants to free its hands to take the political offensive in influencing world public opinion.

This has determined the pace and numbers released from jail. In January the Soviet authorities also said they would review several thousand of the 11,100 Jews refused exit visas for security or other reasons. The official spokesman claimed that 500 visas had been issued in January.

The refuseniks are being taken as a special case, exempt from the provilsons of a new decree on emigration which came into force at the start of the year. This simplifies emigration procedures but also limits the right to leave the country to people married to foreigners or with close relatives abroad. Most potential Jewish emigrants, of whom the Israeli Government says there are 400,000 would not be able to follow the 267,000 who have emigrated since 1969.

The release of all well-known political prisoners and the departure of many of the refuseniks would make it much more difficult to get attention for the emigration issue. Mr Gorbachev and his advisers, unlike their predecessors, are very conscious of the fact that dramatic individual cases have been the basis for past agitation and will do their best to ensure that these are defused before they get heavy publicity.

They will not always succeed —as was proved by the police plainclothes squad attacks on Mr Begun's family and accompanying foreign journalists at a demonstration for his release a week ago.

But overall Mr Gorbachev is well on his way to defusing the issue of civil rights as a weapon which can be used against the Soviet Union. His advisers evidently see the prisoners now being released as actors, conscious or unconscious, in a propaganda war with the West, and above all the US, which in the past Moscow did not understand and in which it was always defeated.

It was never realistic to make a judgment of the state of civil rights in the Soviet Union based on the freedom or imprisonment of a small number of political dissidents or the right to emigrate of Soviet Jews who wish to leave the country rather than change it.

By improving the condition of either of these two groups, tiny by comparison with the 280m population, and largely for foreign policy reasons, Mr Gorbachev can now win an easy reputation for improving the position of all Soviet citizens.

Ironically Mr Gorbachev, a genuinely tolerant man, also appears anxious to increase the rights of the individual Soviet citizen, but these aspirations have yet to limit the arbitrary powers of government or improve the position of the individual in his relations with the state.

Freed dissident Mr Iusuf Begun greeted yesterday by friends and supporters in Moscow

The late Russian writer Boris Pasternak, known at home for his poetry and abroad for the novel Doctor Zhivago, has been rehabilitated by the Soviet Writers' Union nearly 30 years after his expulsion, Reuter reports from Moscow.

Pasternak was thrown out of the Writers' Union after Doctor Zhivago was published in the West in 1957 and he was nominated as Nobel Laureate for Literature the following year. The author rejected his Nobel prize under intense pressure from officials and died in disgrace in 1960 at the age of 70.

But amid growing liberalisation in the arts and the publication of previously banned works by numerous writers, the authorities announced this month that Doctor Zhivago would finally be published in the country where it was written.

Military marches to reformist tune

BY OUR MOSCOW CORRESPONDENT

THE SOVIET Defence Minister, Marshal Sergei Sokolov, says that the country's armed forces are reorganising themselves in line with the reforms advocated by Mr Mikhail Gorbachev.

Writing in the Communist party newspaper Pravda, he says, however, that certain officers have not yet grasped the essence of Mr Gorbachev's "reconstruction" programme aimed at revitalising Soviet society through economic and social reform.

"Not all of our commanders, political instructors and staff officers have fully realised the essence of reconstruction, defined their role and position in it, understood that it is necessary to begin with themselves," he says.

Military training schools should play a major role in the reconstruction drive, he adds. Training work with army and navy units will become more practical to familiarise soldiers with the conditions of combat.

Marshal Sokolov also accuses the US of seeking military superiority and calls for the reduction of US and Soviet military forces "down to a limit which is indispensable and sufficient for defence."

● General Wojciech Jaruzelski, the Polish Communist leader, has told grass-roots party officials that they are too complacent in the attitude to continuing social and political problems, writes Christopher Bobinski in Warsaw.

The criticism echoing Mr Gorbachev's recent themes came during a speech to the largely conservative Warsaw party organisation at the weekend in which the general backed the Soviet leader's reforming endeavours unequivocally.

His attack on his own activists included the threat that incompetent officials would be sacked, and was supplemented by the promise of unspecified institutional reforms. He called Mr Gorbachev's policies the "Leninism of the end of the 20th Century" and defended them against dogmatic opponents

● The orthodox Communist parties of East Germany and Czechoslovakia tightened ranks yesterday in opposition to Mr Gorbachev's reforms, writes Leslie Colitt in Berlin.

East Germany's main newspaper, Neues Deutschland, displayed its support for the hardline chief ideologist of the Czechoslovak party, Mr Vasil Bilak, by publishing an interview with him which first appeared last Friday in the Czechoslovak press.

Mr Bilak warned that "some people" in Czechoslovakia wanted to use the "sympathies" for the Soviet reforms to harm socialism.

Recently Mr Bilak accused Czechoslovaks who were enthusiastic about Mr Gorbachev's policy of hiding their "anti-socialist" activities.

East Germany's publication of the interview in the editorial column of Neues Deutschland indicate the two communist parties share similar worries about Mr Gorbachev's policies of "renewal" and "democratisation." Not since the Solidarity era in Poland has East Germany identified itself so closely with the warnings of the Czechoslovak leadership.

OVERSEAS NEWS

AMAL LOSSES PUSH ASSAD DEEPER INTO THE QUAGMIRE

Syria's act of desperation in Beirut

BY RICHARD JOHNS

THE RETURN of Syrian troops in force to the streets of West Beirut was seen yesterday by diplomatic observers as an act of desperation by President Hafez al Assad's regime.

Syria has had a continuous *military presence in Lebanon*, currently numbering 25,000 men in the north and in the Bekaa valley, since its first intervention in 1976 which brought an end to the first round of the civil war. Yet, since the Syrian army's 85th Brigade was evacuated from Beirut's predominantly Moslem sector in August 1982 under seige from the invading Israelis it has shown a reluctance to expose itself to what could prove a dangerous and expensive imbroglio.

In this cauldron of violence Syria has sought to achieve its objective of minimal control through divide-and-rule tactics, using surrogates and allies.

Much more diffidently Syria committed 200 commandos last July to assist Lebanese security forces who were trying to assert a measure of order following a period of growing anarchy caused by the confrontation between the mainstream Shi'ite movement, Amal, and the re-emerging Palestinian armed presence.

That, at least, was the overt reason. The suspicion however, was that the real target was the Palestinian guerrillas loyal to Mr Yassir Arafat and pro-Iranian *Shi'ite extremists*.

For a couple of months there was a merciful relief for the beleagured citizenry of Beirut. The plan worked well enough, largely because Syria's main friends in Lebanon, Amal and the mainly Druze Progressive *Socialist Party*, were *happy* to co-operate.

But the alliance between the two militias, which have effectively controlled West Beirut since February 1984 when they evicted the Christian-led Lebanese Army from the sector, grew increasingly strained.

The Druze were unhappy about the increasing dominance of the numerically much stronger Amal and the growing tendency towards extremism under pressure from the extremists of Hizbollah — "The Party of God."

Mr Walid Jumblatt and his PSP followers, while being primarily concerned with preserving the sanctity of their *sectarian canton in the Choul*-mountains and maintaining a corridor to the sea, do not want to see another faction monopolising power in West Beirut and have looked askance at the drift there towards an Iranian-style Islamic republic. But it was *the merciless siege of the* refugee camps by Amal which finally broke the alliance.

Amal had been acting as Syria's proxy in its ruthless campaign against the Palestinians, to the point that, because the Shi'ite militia could not storm the camps and overcome their disciplined defenders, they reduced their inhabitants to starvation instead. But this brought heavy criticism from different quarters of the Arab world including Saudi Arabia, Syria's main paymaster,

Yet, in spite of the opposition, Mr Assad was either unwilling or unable to bring the war of attrition to an end until *the PSP, backed by left-wing* factions including the Communists, turned on Amal for support of the Palestinians—their old allies in the civil war—and, with its superior fighting power, won control of the commercial centre of West Beirut *after a conflict lasting a week*.

This was the battle that triggered the large-scale Syrian intervention.

Damascus's determination to prevent the re-emergence of a *plausible Palestinian resistance* in the south of Lebanon is not just a matter of Mr Assad's vendetta against Mr Arafat since the Israeli invasion. His policy since the early days of the civil war has been consistent in that it has sought to ensure that the Palestinians in Lebanon, or any other faction, should not be in a position to drag the country into a conflict against Israel that is not of the Syrians' choosing, while preserving an indefinite military *presence to protect its soft* under-belly.

From this point of view Amal has been the natural ally as the largest group in the south and one bitterly hostile to the Palestinian guerrillas whose activity provoked Israeli retaliation.

Mr Assad could not afford to see Amal crushed by the Druzé, not least because the disintegration of the movement would probably play into the hands of the Shi'ite militants who are

Beirut residents back on the streets

friendly to the Palestinian cause whose ultimate objective is the destruction of Israel.

It is the *hizbullahis* who have been making the recent running in attacks on Israel's proxy, the South Lebanon Army, in the border buffer zone. The question now is whether the Syrians will go into the teeming southern suburbs of Beirut where the ex-West as a sponsor of terrorism tremists have their stronghold.

Having been branded in the last autumn Mr Assad would like the kudos of solving the problem of hostages,

Journal plan to distribute free papers in Singapore

By Steven B. Butler in Singapore

THE Asian Wall Street Journal yesterday proposed to distribute copies of the newspaper free of charge in Singapore to all paying subscribers and hotel purchasers who were on the Journal's rolls on February 13, when the Singapore Government slashed the Journal's circulation from 5,000 to 400.

The proposal offers a direct challenge to the Government's claim that it has cut the Journal's circulation not to restrict the flow of information, but to *punish the Journal by cutting* into its profits.

The Journal yesterday would not release figures on the cost of the printing and distribution operation, although it is thought that this is likely to exceed any potential drop in advertising revenues that would be caused by a cut in circulation.

The Singapore Government ordered the Journal to cut circulation after the newspaper refused to print a letter from a Government official that took strong issue with an article in the paper about Singapore's new second tier stock market, the stock exchange of Singapore dealing and automated quotation system (Sesdaq).

Mr Fred Zimmerman, editor and publisher of the Asian Wall Street Journal, said in a letter to subscribers released yesterday, that the paper had dropped consideration of a legal challenge to the Government's action.

The government has waged a vociferous campaign against the newspaper over the past two weeks, with Mr Yeo Ning Hong, Minister for Communications and Information, alleging on Saturday that the Journal's refusal to print the Government's letter was a "tyranny of the press."

The newspaper refused to print the letter on the grounds that it made false allegations of errors in the article

Hanoi to boost private enterprise

BY STEVEN BUTLER IN SINGAPORE

VIETNAM announced sweeping economic measures yesterday that would encourage private enterprises in Hanoi, the Vietnamese capital. They come only one week *after* a government reshuffle that promoted pragmatic economic reformers.

Hanoi Radio was quoted as saying that the reform measures would help to reduce urban unemployment. The measures were provisional, however, pending approval by the municipal people's council.

These would appear to be the first economic initiatives since Mr Nguyen Van Linh took over as General *Secretary* of the *Vietnamese Communist Party* in December and indicate a pragmatic approach to solving Vietnam's deep economic woes.

The measures would give tax breaks to private businesses during their first year of operation, allow private businesses to obtain bank loans, and allow them to set sales prices. Export businesses would be able to borrow *in* foreign currency for the import of raw materials.

The measures also make a stab at protecting intellectual *property by providing for inven*tors to be paid 15 to 20 per cent of any profits earned from their ideas. Patents could be sold and businesses could sell goods with trademarks affixed.

It still is unclear if private businesses would be able freely to hire non-family labour. A restriction on hiring would severely limit the potential growth of private enterprises, which were made legal only last November.

Coming so quickly after last week's cabinet reshuffle, in which reformists were moved into key positions in the government, these measures would seem to presage more fundamental changes in economic policy that may be in the offing.

Sri Lanka toll reaches 2,000

By Mervyn de Silva in Colombo

THE TAMIL separatist insurgency and connected acts of violence claimed 2,000 Sri Lankan lives in 1986 according to a State Department report prepared for the US Congress.

The report, based largely on official data, says the number includes 200 servicemen, 1,000 "alleged members of the Tamil militant groups," and 700 non combatants killed by militants.

Of the 700 civilian deaths, 190 were Sinhalese, 170 were Tamils and 40 were Moslems. Most of the killings were in the Tamil north and east but a large number of civilians also died in Colombo and other areas from terrorist bombings.

Manila asks bishops to set up local ceasefire groups

BY RICHARD GOURLAY IN MANILA

The Philippine Government yesterday asked eleven bishops in the powerful Catholic Church to set up local ceasefire committees to work towards a regional peace in the 18-year communist insurgency after talks at a national level failed last month.

Top defence officials met a delegation of bishops in Manila to work out details of the regional talks, and to co-ordinate civilian and military approaches to the counter insurgency.

The Government places high hopes on w ning back the so-called "soft core" of ideologically uncommitted rebels in the ranks of the Communist New People's Army by a mixture and social and economic policies.

General Fidel Ramos Armed Forces Chief who attended the meeting said "our position is that the rebels slammed the door shut to the talks but we keep the windows open."

The Government's efforts to negotiate with NPA leaders at a local level, is based on the hope that the Communists' national leadership does not *control the regional comman*ders of the estimated 16,000-23,000 strong rebel force.

Victor Mallet reports that the veteran president is facing a severe test of his statesmanship

Kaunda fails to unite Zambia as problems mount

WORLD BANK President Barber Conable's assessment of Zambia during his recent visit was succinct. "It's a beautiful country with many resources," he said. "It has problems."

Those problems—the falling value of copper exports, increasing urban poverty, a public outcry against economic austerity and hostility between Zambia and South Africa—have begun to undermine the confidence of President Kenneth Kaunda's administration and to threaten the showcase economic *reform programme* supported by the International Monetary Fund (IMF) and the West.

Since the riots over rising food prices in December, in which at least 15 people were killed, opponents of Dr Kaunda have become increasingly outspoken.

Ideologues on the left wing of the ruling United National Independence Party (UNIP), the only legal political party, have accused the Government of betraying its socialist principles by dealing with the IMF and swallowing capitalist economic medicine.

From the right wing, backbench members of parliament have repeatedly castigated Dr Kaunda for supporting economic sanctions against South Africa despite Zambia's dependence on South African ports and railways for its trade.

Ordinary Zambian's complain bitterly about soaring prices, government extravagance on projects such as the new Unip headquarters in Lusaka and roadblocks where tvarellers are often harassed in the name of security.

The people have made known their displeasure by responding only apathetically to calls on them to register for local party elections later this year.

Government officials are already looking nervously ahead to next year's parliamentary and presidential elections, mindful that voter turnout is the important statistic in the curious logic *of one-party elections*.

The Government's response to the food riots and the open attacks on its policies has been hesitant and at times confused. In the words of one pessimistic Western diplomat in Lusaka: "The Government is obviously floundering. The consensus that has been a feature of Zambian politics is dissolving."

Dr Kaunda has led Zambia since independence from Britain in 1964 and has followed the IMF's guidelines for the past four years, revitalising agriculture and introducing a foreign exchange auction to devalue the *currency and end the corrupt* allocation of import licences. But he has recently started to backtrack on the most important measures in the IMF package.

To placate the rioters last year he reluctantly reintroduced basic food subsidies, which were being phased out to cut government spending and encourage farmers with higher prices, and nationalised private maize milling companies. This year, two days before the budget at the end of January, he suddenly suspended the weekly foreign currency auction after more than a year of operation and reshuffled his cabinet, moving Mr Basil Kabwe from the Finance Ministry and replacing him with Prime Minister Kebby Musokotwane.

An explosion, thought to have been caused by a bomb, damaged a post office on the outskirts of Lusaka, the Zambian capital, on Sunday night. No-one was injured in the blast at Chelston, one of the districts where rioters protesting against high food prices went on the rampage in *December last year*.

The Zambian authorities, faced with the threat of raids from South Africa because of the presence here of the African National Congress guerrilla organisation, have become increasingly security-conscious in recent months.

Western donor countries and local businessmen were exasperated, not so much by the limits he fixed for the kwacha (between nine and 12.5 to the dollar compared with about 15 to the dollar at the latest auction) but by the timing of the announcement and its several internal contradictions.

Dr Kaunda said the kwacha would be pegged to a basket of currencies to replace the rate fixed by the auction, but also set rigid new limits and said the auction of dollars would continue to be used as a mechanism to allocate foreign exchange and determine the exchange rate.

An IMF/World Bank mission is visiting Zambia this week to discuss the future of the auction and the IMF programme, while businesses clamour for foreign exchange and the central bank tries to clear the backlog of settlements from earlier auctions.

A serious consequence of the auction muddle is the blocking of millions of dollars of foreign aid *money* which was being channelled through the auction system. A few days before Dr Kuanda's announcement, for example, the US had pledged $12.2m for auction funds. The money, conditionl on the fuctioning of the auction, is now frozen in the same way that $18m of US aid for agriculture has been held up by the reintroduction of food subsidies.

The Zambian economy is in dire straits. Growth last year was a feeble 0.5 per cent, against a population growth *rate of 3.5 per cent. The infla*tion rate is around 60 per cent. The country is in arrears on the servicing of most of its $5bn foreign debt, with arrears to the IMF alone totalling more than $100m and preventing the disbursement of any new IMF money to Zambia. Oil supplies are threatened by the difficulties of financing purchases. Copper exports, earning about 90 per cent of Zambia's foreign exchange, fell to 436,364 tonnes in 1986 from 462,919 in 1985.

"The one statistic which perhaps best conveys the enormity of the economic problem facing us is the large external payments gap," said Mr Musokotwane in this year's budget. "By that I mean the amount by which our foreign currency requirements exceed our export receipts. This year we estimate that the external payments gap will be in the region of $1bn."

Meeting in Paris in December, the consultative group of *donors for Zambia decided the* country would need between $500m and $550m annually over the next several years to implement its recovery programme successfully and reduce its dependence on exports of copper and cobalt.

President Kaunda now faces a severe test of his statesmanship. Short of abandoning the essential reforms for which Zambians have already sacrificed so much, he seems to have no choice but to collaborate with the Western donor countries at the same time as trying to weather the political storms in Zambia and Southern Africa as a whole.

AMERICAN NEWS

Brazil prepares radical plan for creditor banks

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is preparing a package of radical proposals for the forthcoming rescheduling talks with commercial creditor banks on its $104bn foreign debt.

Details of the proposals are being kept secret, but reports from Brasilia say the plan will involve a departure from previous rescheduling arrangements and go well beyond a simple roll-over and reduction of spreads on interest rates.

In a telex to foreign bank representatives in Brazil at the weekend explaining Brazil's indefinite suspension of medium and short-term interest payments, the Government gave assurances that it would adopt a positive approach to the talks.

The message, from the Finance Minister, Mr Dilson Funaro, insisted that Brazil's proposals would:

- Not seek cancellation of any of the country's foreign debt.
- Not request concessionary interest rates, presumably implying below the London inter-bank offered rate.
- Not demand any solutions to the debt issue that involved losses for creditors.

These undertakings have left foreign bankers bemused as to what sort of proposition Brazil has in mind.

"Either Mr Funaro believes there will be a rapid improvement in the country's balance of trade, or there will be a large resurgence of voluntary lending," one foreign banker concluded. "It seems highly optimistic."

Brazil has for some time made clear it will be looking for about $4bn in new money in the forthcoming talks. Currently foreign bankers remain dubious that sums of this size are likely to be available without clear indications that the Government is taking a firm grip on the economic crisis that left January's inflation rate at over 16 per cent.

Mr Funaro said last Sunday after a three-hour meeting with President Jose Sarney that the Government would be seeking during the course of the year, to negotiate with the International Monetary Fund on approximately $1bn falling due this year.

The Finance Minister is scheduled to begin informal talks with creditors next week and full negotiations are expected to open within three weeks.

Markets in Brazil appeared to be reacting calmly yesterday to the decision to suspend its interest payments yesterday. The key Sao Paulo Bovespa index rose 5.8 per cent to 6,086 points after a long period of falls.

Pilots' pay deal lifts threat of strike

By Anatole Kaletsky in New York

AMERICAN AIRLINES, the third largest and most profitable US airline, has reached an unexpected pay agreement with its pilots.

The move should forestall a threatened strike at the only major US air carrier which has managed to avoid industrial disruption since the industry's deregulation in 1978.

The deal may also open the way to a large and unusual order for Airbus and Boeing aircraft which American was on the point of placing late last year, when talks with its pilots broke down.

At issue in American's bargaining was the two-tier pay system which has enabled some traditional US airlines to compete against aggressive new carriers with much lower labour costs, which have sprung up since the deregulation of US air routes.

By paying some new recruits as little as 50 per cent of the salaries of established employees, American has managed in the last few years to keep its costs of expansion 20 per cent below the average unit costs of its "core" operations.

This has helped American to remain profitable and still fight off the incursions of Texas Air Corporation, the rapidly-growing and largely non-union company which has become the largest US air carrier by undercutting and then swallowing several high-cost airlines.

In talks on the extension of their labour contract, American's pilots had been demanding an early merging of the salary levels in the two-tier pay scale in view of the airline's considerable profitability.

But in its last public response, American had offered to merge the two pay scales only after 17 years, threatened to cut jobs and sued the unions over alleged irregularities in their bargaining tactics.

At the weekend, however, both sides announced, to the surprise of most analysts, that a tentative pact had been reached, although they would not disclose details.

Dutch send food to Surinam

By Laura Raun in Amsterdam

THE NETHERLANDS is giving Fl 2.1m (£662,000) of food and medicine to Surinam, its embattled former colony in South America, amid growing concern over the civil war.

The anouncement comes as the 18-month rebellion, led by a former soldier, Ronnie Brunswijk, is intensifying.

Mr Brunswijk's Jungle Commando which aims to overthrow the regime of Lt. Col. Desire Bouterse, almost paralysed the country recently when it blew up transmission towers, forcing the Government to ration electricity and the vital bauxite industry to close.

Hundreds of students demonstrated last week against official repression and lack of food, chanting "no bread, no school," according to Dutch news agency reports from Paramaribo, the Surinamese capital.

The protests were described as unprecedented

Mexico opposition chooses aggressive leadership

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S main opposition group, the right-wing National Action Party (PAN), has chosen a new aggressive leadership intent on keeping the issue of clean elections before a public ever more alienated by the ruling Institutional Revolutionary Party (PRI), which has been in power for 60 years.

Mr Luis Alvarez, until recently mayor of Chihuahua City, is to be the new president of PAN, at the head of an executive strongly weighted towards party radicals and prominent businessmen from the northern states.

The new blood comes from the border states of Sonora, Nuevo Leon, Chihuahua, Sinaloa, and Durango, in all of which the PAN has made major electoral advances, which from September, 1983, have for the most part been halted by alleged ballot-rigging.

Moves to stop the PAN in last summer's state elections in Chihuahua stipped the balance in favour of a more vigorous response to government imposition of PRI candidates.

PAN supporters in Chihuahua were encouraged to take to the streets in defence of their charismatic candidate for governor.

Highways and frontier crossings were blocked, in a peaceful two-month "civil disobedience" campaign which the Government waited out, but which for the first time created a strong political echo in the rest of the country

Peru law chief escapes blast

PERU's Attorney General escaped unhurt but his son and two others were slightly injured yesterday when a bomb exploded as their car drove through suburban Lima, eye witnesses said, Reuter reports.

Police said Mr Cesar Elejalde's son, Cesar, his driver and a police guard were hurt in what appeared to be the latest of a wave of attacks by Maoist Sendero Luminoso (Shining Path) guerrillas in the Peruvian capital.

US Supreme Court to rule on death penalty for minors

BY NANCY DUNNE IN WASHINGTON

THE US Supreme Court agreed yesterday to hear a controversial appeal, which could conclude that the death penalty imposed on minors is a "cruel and unusual punishment" and therefore unconstitutional.

Only 14 of the 37 US states with death penalties exclude minors from capital punishment. One state, Indiana, permits the execution of convicts who committed crimes at the age of 10. Last year, South Carolina executed Mr James Terry Roach for a murder committed when he was 17.

The Supreme Court has agreed to rule on an appeal from an inmate in Oklahoma, Mr William Wayne Thompson, convicted of a crime committed when he was 15. Mr Thompson was the youngest of four people convicted over the death of his brother-in-law.

The brother-in-law was allegedly killed because he abused his wife, the defendant's sister.

In his appeal, Mr Thompson's attorney argued that "killing minors for crimes committed while still children offends fundamental standards of decency and humanity."

Lawyers for Oklahoma said nothing in the constitution implied that a person's age should be a mitigating factor.

Democrat enters presidential race

US Congressman Richard Gephardt yesterday became the first Democrat to enter formally the 1988 presidential race, promising to end what he called an era of disrespect for the law from the White House down, Reuter reports from St. Louis.

"From the White House to Wall Street we must get rid of the dangerous idea that the proper standard of conduct is whatever someone can get away with," said Mr Gephardt, 46, from St Louis.

WORLD TRADE NEWS

Boeing wins $575m Japanese jet order

By Michael Donne, Aerospace Correspondent

JAPAN AIR LINES (JAL) has placed a $575m (£410m) order with Boeing of the US for three extended-upper deck 747-300 Jumbo jets and four medium-to-long range 767-300s.

JAL has also converted an earlier order for two 767-200 aircraft into the larger Series 300 models. Of the six new 767s, three will be for international routes and three for domestic operations in Japan.

The airline's expansion plan to meet traffic growth requires delivery of the bigger 767-300 twin-engined aircraft between September, this year and June 1988.

Two of the three new Jumbos are 563-seat short-range aircraft specially designed for use on Japanese internal routes, and the third is for international routes. One will be delivered later this year and the other two in 1988.

The new order will bring JAL's 747 fleet in service or on order to 60 aircraft, the biggest individual airline Jumbo fleet in the world. It also has on order or in service 13 Boeing 767s and 12 three-engined 727s.

FT correspondents assess European reactions to Washington's attacks on subsidies

Airbus partners close ranks against US

IF Britain and France were ever in doubt over the project to build the proposed new Airbuses, those doubts appear to have been laid to rest by the recent US criticisms of the plan.

Only West German industrialists and politicians have been noticeably quiet since the brief and excited skirmish over Airbus subsidies caused by the visit of a US government team to Europe earlier this month.

Unlike the French partner in Airbus, the German leader, Messerschmitt Bolkow Bloehm (MBB) has wide ties with the US which could prove very damaging were they disturbed.

Although a formal British decision will not be announced until after the Budget on March 16, the prevailing view in Whitehall and the aerospace industry is that British Aerospace will be offered at least part of the £750m it has sought in launch aid to enable it to build the wings for the new Airbuses, which will mean BAe raising the remaining cash either from its own resources or from the City.

The decision has been delayed largely because Airbus has expanded its plans and intends to offer two versions of the A-340 long-range jet, the Series 200 and Series 300, and the additional paperwork involved has prolonged the discussions between the Department of Trade and Industry and BAe.

The UK view is that, apart from the outright rejection in Western Europe of US allegations of unfair subsidies, the timing of the new attacks on Airbus could hardly have been worse.

It is pointed out in Whitehall that the UK has only provided £250m to Airbus for work on A-320 wings, under the launch aid machinery, and that is a specifically repayable loan, through interest and a levy on sales. The success of the A-320 to date makes it certain that the money will be repaid, probably with a profit to the UK.

Mr Geoffrey Pattie, the Minister for Aerospace in the Department of Trade and Industry, made it clear to the US team that the UK took a poor view of its mission in the light of the recent British Airways' purchase of over $4bn worth of Boeing 747-400 Jumbo jets and the Government decision to buy the Boeing Airborne Warning and Control System (Awacs) instead of Britain's own Nimrod.

Moreover, the UK feels strongly that such complaints in any case should more properly be dealt through the normal machinery of the General Agreement on Tariffs and Trade.

French aircraft constructors were barely able to conceal their glee over the US assault which they see as providing the final proof that they have a first class product on their hands.

"It was an enormous tactical blunder," said one Airbus marketing executive. "It has actually helped us to win the attention of the airlines."

If the airlines who may eventually buy the A-340 have not been put off by the complaints from Washington, nor has Mr Jacques Chirac, France's Prime Minister, whose comments on the American criticism of Airbus have recently moved beyond the strictly diplomatic. He describes himself as "panic-stricken" at the thought that the A-340 project might now be dropped. He continued to flog the horse even after the US had decided not to take immediate reprisals against Airbus and to take the dispute to Gatt, the international trade organisation, in Geneva on March 2.

"The Americans killed Concorde. We won't let them do it a second time to the Airbus," he said on a visit to Toulouse, the capital of the French aerospace industry.

For the French premier, the dispute launched by the US has now gone beyond the question of whether the European consortium can produce a competitive aircraft.

Mr Chirac missed no opportunity to point out that it was during his earlier spell as Prime Minister that the Airbus A-320 airliner received the go-ahead. The A-340, in his eyes, now offers a historic chance to break the American monopoly on the market for long-haul airliners.

The US team got short shrift in Bonn, being met with old arguments about US defence spending helping to finance both Boeing and McDonnell Douglas. Airbus was being financed and produced in accordance with Gatt rules, said the Economics Ministry on February 4, "and will continue to be."

This was followed by a particularly bombastic speech by the Bavarian leader, Mr Franz Josef Strauss, at the roll-out 10 days later of the new A-320 in Toulouse. Mr Strauss, chairman of the supervisory board of Airbus Industrie, warned that "we will not allow political agitation to distract us from the successful path we have chosen."

But a great deal of the way West Germany reacts to US pressure on Airbus depends on just how strong Mr Strauss is.

The Airbus is probably the grandest venture with which he has ever been associated and his emotional attachment to it is huge. At the same time, though, he sits in Munich at the centre of a growing defence and electronics industry which depends for its continued growth to an uncomfortable degree on entry into US markets.

While Mr Strauss has had to busy himself since Toulouse with wearisome negotiations in Bonn on the formation of a new governing coalition, the industries he fosters, and the many associations which speak in their name, have done the prudent thing and kept quiet.

MBB, for instance, sees a great deal of its progress in mastering new technologies as being dependent on cementing closer ties with selected US companies like United Technologies. Siemens, another Munich-based pearl, is almost wholly dependent for long term survival in its most valuable division, telephone switching equipment, on entry into the US market.

Few West German companies are going to forget what an enormous difference the US market made to their profit and loss accounts in the three years before the dollar's present fall. Hardly any will take pleasure at having seen off a team of American trade negotiators.

THE EUROPEAN Airbus A-320 twin-engined 150-seater jet airliner, which made its successful maiden flight over the week-end at the Airbus assembly centre at Toulouse, will now embark on a 1,200-hour programme of test flying for its Air Certificate. The aim is to clear the way for deliveries to airlines, by February, next year, Michael Donne writes.

Four aircraft will be involved in the trials, with the second making its first flight in May, the third in June and the fourth in July.

Initially, the flight trials by the first aircraft will be devoted to testing the Franco-US (Snecma-General Electric) CFM-56-5 engine, with a target of engine certification by next August.

It will then be devoted to testing the International Aero Engines' V-2500 engine, also offered on the A-320, with certification planned for February, 1989.

Italy exports clothing worth L12,200bn

By Alan Friedman

ITALY last year exported a record L12,200bn (£6.2bn) worth of clothing, an increase of nearly 18 per cent on the level of export sales in 1985.

According to preliminary 1986 figures from the Italian clothing manufacturers' association, the industry last year achieved a trade surplus of L10,340bn. Imports rose by 23.5 per cent to L1,860bn, but Italy continued to sell more than six times as much clothing as it imported.

Italian clothing exports last year represented 47.5 per cent of the sector's total revenues of L25,700bn. This total result was itself 12 per cent higher than in 1985.

Overall employment in the Italian clothing industry declined by roughly 2 per cent last year, to 326,000 people. The vast majority of these are found in small workshops and factories.

Fresh drive for compromise on farm trade

BY WILLIAM DULLFORCE IN GENEVA

A MORE concerted effort to reform world trade in agriculture may at last be taking shape.

This is the belief of negotiators in Geneva after the first meeting of the group responsible for farm products in the new round of trade liberalising talks under the General Agreement on Tariffs and Trade (Gatt).

In itself last week's two-and-a-half-day meeting was a disappointment. Despite an initial admonition by Mr Aert de Zeeuw, its chairman, to "stop fiddling," delegates spent the scheduled time in staking out well-known positions.

The European Community was again accused of foot-dragging after it had outlined what other delegates felt was a hazy scheme for handling farm trade product by product. The US reiterated that it wanted results—not necessarily a final agreement—within two years.

Australia submitted the view of the Cairns group of "free trading" farm nations that a progressive reduction at an early date of agricultural subsidies was needed, to liberalise farm trade and bring it within Gatt rules.

The idea has started to circulate in Geneva, however, for a four-stage approach to the farm trade talks which could be adopted as an effective compromise by both the impatient protagonists and the more wary, such as the EEC, the Nordic countries and Switzerland with heavily protected farmers.

Initially, negotiators would concentrate on agreeing ways of eliminating progressively the huge surplus stocks, the mountains of wheat, meat and dairy products, as the EEC has proposed. But this would be followed quickly by negotiation of a plan to prevent the stocks being rebuilt.

In a third stage, an attempt would be made to improve market access and normalise competition in conformity with Gatt principles. This, it is argued, might lead to a final, highly ambitious stage in which countries would act to adjust world output of farm goods to consumption.

Much more preparation is needed at the domestic level before such a programme could be started. Of the four principals in the farm trade talks, only the Cairns group, headed by Australia, appears so far to have thought out anything like a detailed negotiating plan.

Japan has a strictly defensive approach. The US has made the running in rhetoric but has so far concentrated on forcing out concessions in bilateral trade wars such as that recently waged with the EEC over maize exports to Spain.

In Brussels, so much time has recently been devoted to settling internal price issues that a negotiating posture has been only roughly sketched.

It is recognised that the negotiating of detailed agreements in Geneva must be accompanied by regular political consultation to maintain the impetus.

Recent work on agriculture in the Organisation for Economic Co-operation and Development is regarded as having particular importance in that all the four main farm negotiating blocks are represented there.

The hope now is that a version of the four-stage negotiating plan may be discussed at the OECD ministerial meeting in May and that some further agreement on how to proceed on agriculture might be reached at the Venice summit of the seven big industrial nations in June.

C. Itoh in $78m China deal

By Carla Rapoport in Tokyo

JAPAN'S trade with China received a further boost yesterday with the announcement from C. Itoh and Toyo engineering that their consortium had been selected over two Italian competitors for a $78m (£55m) ethylene contract in China.

The pace of Japanese investment and joint-venture contracts in China slowed markedly last year but Japanese businessmen say this year will show a significant improvement in trade relations between the two countries.

The Itoh-Toyo deal is particularly significant because the companies had been contractors on three major ethylene projects signed in 1978 but delayed for five years by the Chinese Government.

Those contracts were renegotiated in 1983 and are now nearing completion. None the less, China has not awarded any ethylene contracts to foreign companies for the past several years.

C. Itoh, one of Japan's leading trading houses, admitted yesterday it had lost a great deal of money on the delayed projects. Even so, it felt compelled to win the new project to build an ethylene plant in Panjin, Liaoning Province, in north-east China.

"Frankly speaking (the new project), is not at all profitable. But we had to win it in order to get future contracts," said an official in C. Itoh's China department. China, according to C. Itoh, is one of the last remaining markets in the world for ethylene plant equipment. The Chinese have ambitious plans for ethylene development nationwide over the next 10 years.

The Japanese companies won the contract over bids from another Japanese consortium and two Italian companies, Technipetrol and Snamprogetti.

Groups vie for Malayan Railway

BRITISH, Canadian, French and Japanese companies have submitted proposals to buy the Malayan Railway for one ringgit (40 US cents), Mrs Rahmah Othman, Deputy Transport Minister, said yesterday, Reuter reports from Kuala Lumpur.

The Government announced in October that the railway was for sale for one ringgit to anyone who agreed to run the deficit-ridden system.

The railway has been incurring huge losses but is a vital means of transport in Malaysia, especially for heavy goods. Details on whether a new owner would also take on the losses, how long the new owner could keep the railway, and other matters have not been clarified.

Although Malaysian groups have shown interest, "the keenest interest is coming from the foreign companies, especially the Canadians and French," Mrs Rahmah said.

Manila to unveil investment guidelines

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINE'S Government will today publish its long-awaited investment incentive guidelines which it hopes will match those offered by neighbouring South-East Asian countries.

The incentives for new investors include income tax holidays, accelerated depreciation allowances and duty-free importation of capital goods. The code could also contain a contentious clause calling for compulsory arbitration in labour disputes.

If such a clause can be enforced by the Department of Labour which would arbitrate any grievances, it could help to remove many of the fears about an apparent increase in labour militancy.

Businessmen say this, more than the perceived political instability, is the main reason that potential investors have held back since President Corazon Aquino took power a year ago.

The so-called Omnibus Investment Code will be presented at a public hearing on February 24 before it goes to Mrs Aquino to be signed into law.

Before that, labour unions and the Department of Labour will have to agree to what is effectively a proposed two-year strike moratorium for new investors.

The proposals would allow new and expanding companies in areas approved by the board of investments—export-related, agriculture, mining and certain manufacturing concerns — to import capital goods free of duty. Locally-bought capital goods would carry an equivalent tax credit.

They will also be entitled to accelerated depreciation and guaranteed repatriation of profits and capital until the end of 1988. To encourage job

President Corazon Aquino

creation, incremental labour costs associated with expansion or new investments will entitle a company to additional double tax relief on the increase in operating costs.

Foreign and local investors are growing increasingly impatient about the Board of Investments' delay in producing the investment code.

Mr George Drysdale, President of the American Chamber of Commerce in the Philippines, earlier this week pressed Mr Jose Concepcion, Secretary of Trade and Industry, to speed publication of the code because potential investors were holding back.

Government finance and trade department officials are anxious that Mrs Aquino should push through as many orders to encourage business, including the investment incentives code, before Congress is elected in May.

Mrs Aquino's powers to rule by decree will be trimmed when the new legislature is elected and new legislation is expected to slow down

Turkey asks consortia to re-submit power bids

BY DAVID BARCHARD IN ANKARA

THE Turkish Government has asked three foreign consortia offering to build power-plant using imported coal to re-submit their bids within two months so that it can make a final decision on which project to proceed with.

Three consortia, headed respectively by Bechtel of the US, Brown Boveri and Co of Switzerland, and Seapac of Australia, have been negotiating with the Turkish Government for nearly two years about building separate power plants, each of around 1,400 Mw annual capacity and operating them on the "Build-Operate-Transfer" franchise model favoured by Prime Minister Turgut Ozal.

The Queensland Government recently signed a protocol with the Turkish Government committing both sides to report on progress within 45 days.

Officials say the Government has also reached agreement with the other two consortia on all fundamental points other than the prices involved.

"We have solved our problems with the US Eximbank," one official said. Both Eximbank of the US and the Swiss Government have undertaken to provide funds for a substantial portion of the funding for the Bechtel and BBC consortia respectively.

"Turkey is now asking the consortia to provide their best and final offers within two months."

Western diplomats say the companies involved in the bids are indignant at being asked to re-submit after months of painstaking negotiations.

● Maggie Ford reports from Seoul: Canada and the US are putting pressure on the South Korean Government to divert its coal imports away from Australia, Senator Gareth Evans Australia's Energy and Resources Minister, said.

Both North American countries are running substantial trade deficits with South Korea, while Australia recorded a surplus of $500m (£357m) last year, mainly through exports of coal and iron ore.

Australia's market share of South Korean energy contracts has been falling over the past few years despite Canberra's efforts to improve the trade balance between the two countries.

Pointing to the competitive advantages of Australian coal both in terms of price and quality, Senator Evans said he had urged Seoul to stick by the principles of multilateral trade, rather than give in to pressures for bilateral deals.

UK NEWS

Collier charges refer to Cadbury Schweppes

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR GEOFFREY Collier, the former joint securities chief at Morgan Grenfell, the UK-based merchant bank, is to face three charges of insider dealing in shares of Cadbury Schweppes, the food and drinks group, in addition to three relating to AE, the engineering group.

Yesterday, Mr Collier was committed for trial at the Old Bailey on the six charges when he made a short appearance before Wimbledon magistrates in south London.

The prosecution, by the UK Department of Trade and Industry, is the first case to be brought under the 1985 Company Securities (Insider Dealing) Act. The penalty for each offence under the act is two years' imprisonment, or a fine, or both.

It is alleged that Mr Collier on or about November 3 last year at 123 Home Park Road, Wimbledon, "counselled and procured" Mr Michael Barry Cassell to deal in AE securities.

A second charge alleges that, at the same address and on the same date, Mr Collier gave Mr Cassell information relating to AE securities "when he knew or had reasonable cause to believe" that Mr Cassell "would make use of the ... information for the purpose of dealing on ... the London Stock Exchange in those securities."

The third allegation is that Mr Collier dealt on the London Stock Exchange in AE securities, about which he had unpublished price-sensitive information.

The charges relating to Cadbury Schweppes, two of which also mention Mr Cassell, are similar. It is alleged the offences took place on or about October 14 last year.

Mr Collier's bail was extended on two sureties of £10,000 each. Reporting restrictions were not lifted.

● Number 123 Home Park Road, Wimbledon, is the address of Mr John Holmes, Mr Collier's former partner at Morgan Grenfell.

Mr Cassell is a stockbroker who was then working for Vickers Da Costa Securities in Los Angeles.

A takeover bid was launched for AE on November 3 last year at a higher-than-market price by Mr Robert Maxwell's Hollis group, which was being advised by Morgan Grenfell.

Insider dealing, in which a profit is made on price-sensitive information not generally available, was made illegal in the UK in June 1981 under the Companies Act.

Clive Wolman writes: General Cinema, the US theatre chain and soft drinks bottler, first turned to Morgan Grenfell for advice about the acquisition of a large, and potentially hostile, stake in Cadbury Schweppes last summer.

The approach was made through Morgan Grenfell's US subsidiary, but key individuals in its corporate finance and securities department in London were informed at an early stage.

General Cinema started building up its stake in Cadbury Schweppes in, or around, early September with the assistance of Morgan Grenfell and the stockbroking firm, Cazenove and Co. The stake was finally disclosed four weeks ago.

By then it amounted to 8.3 per cent of Cadbury Schweppes share capital and was acquired at a cost of £90m. The company said last month that it had no intention of making a takeover bid for Cadbury Schweppes, at least not before January of next year.

Football club partly to blame for fire

Financial Times Reporter

BRADFORD City Football Club was yesterday held to be two thirds to blame for the stadium fire disaster in May 1985 in which 56 people died and 200 were injured.

Sir Joseph Cantley, deputy High Court judge, ruled in a test case at Leeds High Court that the now abolished West Yorkshire County Council should take the rest of the blame. The Health and Safety Executive was cleared of any responsibility.

The judgment, in a case brought by a woman who lost her husband, son and two other family members, clears the way – subject to any appeal – for a multi-million pound settlement of the biggest civil action yet brought in Britain. A total of 110 civilians and 44 police officers are bringing claims for compensation.

Sir Joseph said that the football club had taken no action over warnings that rubbish accumulating under stand seats was a fire hazard. A lighted match or cigarette ignited the pile and caused the disaster.

The judge, who heard the evidence over three weeks at the end of last year, said that Bradford City FC was not "internationally or callously indifferent" to the safety of spectators. "But they were at fault," he said. "No one in authority seemed to have appreciated the fire hazard. No one gave it the attention it ought to have received."

The Health and Safety Executive sent the club a letter in 1980, advising that space under the seats should be sealed off. "But no action was taken."

The judge added: "The continued negligence of the club and the continuing indifference of the council in various departments after being alerted to the existence of the danger were concurrent in causing this disaster."

The judge also criticised the procedures for clearing the wooden stand. "There should be effective emergency procedures for the emergency evacuation of the stands. There was none at Bradford City. The club told me they had never considered it."

Top civil servants oppose new merit pay scheme

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE Government plans to avert the threat of disruptive action in the Civil Service by offering salary increases worth an overall 5 per cent on the pay bill for the 500,000 white-collar staff. Union leaders expect the Treasury to table formal offers within the next two weeks, for payment from April 1, in a clear signal that ministers want the pay issue out of the way before a possible spring general election.

LEADERS of unions representing senior civil servants will today tell the Treasury that it is still foundering in its attempts to produce an acceptable system of performance-related pay.

The First Division Association, the main union for top Whitehall staff, says the Government's latest proposals for merit payments seem to have learnt "little or nothing" from the existing, highly unpopular performance bonus scheme.

This verdict on the Treasury's long-awaited proposals for discretionary pay increments for Civil Service grades 2 and 3 (formerly deputy secretary and under-secretary) is likely to embarrass ministers at a time when they are strongly urging private-sector employers to move to performance-based pay systems.

Employers may question the Government's credentials for pronouncing on performance pay when it is evidently struggling to implement successfully even a limited scheme of its own.

The present experimental bonus system applies to Civil Service grades 3 to 7 (formerly under-secretary to principal). Up to £4m a year has been made available for three years to reward the 20 per cent top performers.

Hay-MSL, the management consultant commissioned to report on the scheme's success, says in its latest, unpublished progress report that the bonuses have had "no visible effect on performance or overall motivation" and are growing increasingly unpopular.

Hay says 68 per cent of surveyed civil servants dislike the system, as do 47 per cent of the minority (17 per cent) who have received a bonus. It reports that more than half of those recipients had given away all or some of their bonus cash.

Treasury officials have acknowledged weaknesses in the bonus system and had hoped to avoid repeating them in the separate scheme, approved in principle by the Government last May, for grades 2 and 3.

However, the unions concerned will today tell the Treasury that the fresh scheme is little improvement. Ms Sue Corby, FDA assistant general secretary, said: "It is likely to be as ineffective in motivating staff and as unpopular as its predecessor, unless it is amended radically."

The FDA accepts that the scheme is better than the bonus system in that discretionary increments would normally be retained, rather than be one-offs, and would be of fixed amounts.

For example, a grade 2 staff member earning £35,350 after two years could rise to £36,850 on one discretionary increment, to £38,425 on two and £40,000 on three. A grade 3 staff member on £43,500 after one year could rise to £45,500 on one increment, to £47,825 on two and £50,150 on three.

It may be some time before the Government can boast of a performance pay system operating smoothly in its own backyard.

TUC cuts spending amid row over funds

By Philip Bassett

LEADERS of the Trades Union Congress (TUC) yesterday agreed further cuts in its spending amounting to £250,000 in the face of unprecedented and scathing criticism by an affiliated union of the management of the TUC's finances.

The TUC's "inner cabinet", the Finance and General Purposes Committee, did not discuss the substance of the report prepared by accountants for the building workers' union Ucatt on TUC finances. The report says: "The TUC is not practising the financial prudency that other organisations, especially affiliated trade unions, have been conducting for the last few years."

Last November, the TUC agreed administrative savings of £250,000. Even with this, however, the TUC was set for a deficit of £350,000 this calendar and financial year.

But last month, in a letter to unions, Mr Norman Willis, TUC general secretary, admitted that the "latest information suggests some worsening of the situation," since the 1986 TUC Congress agreed to increase the annual union affiliation fees by 8p per member in 1988 and by a further 5.5p in 1989.

Union membership is now estimated to be about 100,000 less than expected, mainly due to a lower affiliation by the AEU engineering union this cuts TUC income for this year by about £200,000 below the November forecast, giving an estimated TUC deficit for 1987 of £500,000, which the TUC will currently be unable to meet from its reserves.

The committee yesterday agreed a further package of cuts in organisational and administrative spending worth another £250,000.

But Mr Albert Williams, Ucatt general secretary, is unlikely to be satisfied that the committee again did not discuss his union's report on TUC finances. Mr Willis has offered to meet Mr Williams on the issue, but Ucatt is expected to raise it at tomorrow's meeting of the full TUC General Council.

Mr Williams says the union is unhappy to pay affiliation fees to an organisation whose efforts to contain costs "seem to lack a sense of realism in these most difficult times of political/economic stringency."

Boeing solicits UK tenders for AWACS electronics contracts

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING of the US is soliciting bids from UK contractors for installing the main electronic components for the proposed Airborne Warning and Control System (AWACS) to be bought by the Royal Air Force instead of the GEC-Avionics/British Aerospace Nimrod system.

The cost to the UK of buying six AWACS aircraft will be about £860m, but this will be covered by an offset programme valued at 130 per cent of that sum. Of that, only about 10 per cent will be devoted directly to work on AWACS for the RAF, the rest being in other areas.

Boeing met in London yesterday 19 companies it had identified as potential sub-contractors for the first item of work under the AWACS part of the offset programme.

The work is called the "installation and check-out" or I&CO, and is worth about £20m, involving three years work.

It will involve installing the target-identifying electronics in the Boeing E-3 AWACS airframes, which will be flown to the UK from the US for the installation.

The electronics will be manufactured under other contracts in the overall offset programme.

The contractor winning the I&CO deal will also be responsible for the subsequent flight testing and delivery to the RAF of the AWACS aircraft.

The conference yesterday provided an overview of the I&CO task, covering all the major engineering, manufacturing and contractual aspects. One essential is know-how of ground maintenance techniques for a large airframe such as the E-3.

"Selection for the I&CO task will result in the opportunity to be a depot-level maintenance contractor for the RAF," said Mr Lee Rosenberg, director of Boeing's AWACS offset effort. "It will also result in the capability to modify and enhance the E-3 aircraft mission system as required to meet future threats."

UK companies interested in pursuing this opportunity have been asked to contact Boeing within 30 days. Follow-up meetings will be held in April. A formal request for proposals will be issued in October, with award of the I&CO contract in July 1988.

Companies attending yesterday's meeting included British Aerospace, Short Brothers, Racal Avionics, GEC Avionics, Lucas Aerospace, British Airways, Smiths Industries, Thorn EMI, Fields Aviation Services, Ferranti Computer Systems, Hughes Microelectronics, Marshall of Cambridge, STC Defence Systems and Babcock International.

Government decision likely on Sizewell within weeks

BY PETER RIDDELL, POLITICAL EDITOR

A GOVERNMENT decision on the Sizewell B nuclear power station in Suffolk is likely within weeks at most, after debates in the House of Commons yesterday and the House of Lords next Monday.

Mr Peter Walker, the Energy Secretary, was studiously non-committal in one of the shortest ever opening speeches to a major debate. It would have lasted barely five minutes but for intervention.

He gave no hint about the timing and said he was unable to express any views until he had reached a decision. In his quasi-judicial role he could only listen to the views of MPs.

In line with this approach, the Government last night instructed its backbenchers not to vote on the procedural motion for the adjournment under which the debate took place. This was to avoid taking sides.

Nevertheless, most MPs participating expect the decision will be in favour of a pressurised water reactor (PWR).

The debate divided almost exactly along party lines. A PWR at Sizewell was criticised by both Labour and SDP/Liberal Alliance speakers while most Conservative MPs generally supported civil nuclear power. Even MPs with constituencies near the proposed site like Sir Eldon Griffiths from Bury St Edmunds supported Sizewell on grounds of national interest while pressing for local road and other improvements.

Lord (Walter) Marshall, chairman of the Central Electricity Generating Board which is seeking to build and operate Sizewell, listened to the debate from an otherwise deserted peers' viewing gallery.

For Labour, Mr Stan Orme, its energy spokesman, stressed the changes in both economic and safety aspects since the hearings of Sir Frank Layfield's inquiry were completed two years ago. Mr Orme said that even on the Government's own narrow grounds the case was not proven and emphasised safety worries. He repeated Labour's intention to scrap Sizewell if it won power.

Mr David Steel, the Liberal leader, said the Alliance would continue to support research and development in civil nuclear power but did not believe there was a commercial case for its expansion at present. He also emphasised the safety aspects of PWR reactors and argued that it was "highly irresponsible to proceed with Sizewell B in advance of a general election."

Notice of Redemption

Reynolds Metals European Capital Corporation

has called for redemption all of its 5% Subordinated Guaranteed Convertible Debentures Due 1988

The conversion privilege expires at the close of business on March 26, 1987

REYNOLDS METALS EUROPEAN CAPITAL CORPORATION (the "Company") has called for redemption on March 26, 1987 (the "Redemption Date") all of its outstanding 5% Subordinated Guaranteed Convertible Debentures due 1988 (the "Debentures") at a redemption price of $1,000 per $1,000 principal amount, plus accrued and unpaid interest to the Redemption Date of $15.97 per $1,000 principal amount of the Debentures. Payment of the redemption price for the Debentures will be made to holders of the Debentures, commencing on the Redemption Date, upon presentation and surrender of the Debentures to the Agents identified below, together with all coupons appertaining thereto maturing after the Redemption Date. Coupons maturing prior to the Redemption Date should be detached and surrendered for payment in the usual manner.

Alternatives Available to Holders of the Debentures

Conversion of the Debentures into Common Stock by March 26, 1987. Holders of the Debentures have the right to convert the Debentures at any time prior to the close of business on the Redemption Date into shares of Common Stock, without par value (the "Common Stock"), of Reynolds Metals Company (the "Guarantor"). The conversion price is $43.68 per share of Common Stock, or 22.89 shares of Common Stock per $1,000 principal amount of Debentures. No payment or adjustment in respect of accrued interest or dividends will be made upon conversion of the Debentures. No fractional shares of Common Stock will be issued upon conversion, but in lieu thereof the holder will be paid an amount in cash equal to such fraction multiplied by the last reported sale price, regular way, of the Common Stock on the New York Stock Exchange on the last business day prior to the date of conversion. The last reported sale price of the Common Stock on the New York Stock Exchange on February 18, 1987 was $54.00 per share. Based on such last reported sale price, the current market value of Common Stock (including cash in lieu of any fractional share) which holders would obtain by converting $1,000 principal amount of Debentures into Common Stock on that day would be $1,236.06. **As long as the price of Common Stock is equal to or greater than $44.43 per share, holders of the Debentures will receive upon conversion Common Stock (including cash received in lieu of fractional shares) *having a current market value greater than the amount of cash which would* be received upon redemption or upon tender pursuant to the below described commitment of Goldman, Sachs & Co. and Salomon Brothers Inc (the "Purchasers").**

Tender of the Debentures to the Purchasers at $1,017 for each $1,000 principal amount by March 26, 1987. The Guarantor has made arrangements with the Purchasers to purchase all Debentures duly tendered for sale to them in the manner set forth in this Notice of Redemption at a flat price of $1,017 per $1,000 principal amount of Debentures. The Purchasers have agreed to convert any Debentures so purchased into Common Stock.

The Company and the Guarantor are advised that the Purchasers may, in addition to purchases of Debentures pursuant to the above described commitment, purchase Debentures for their own account in the open market or otherwise at such times, in such amounts, on such terms and at such prices as they may determine and that the Purchasers will convert such Debentures into Common Stock. In connection therewith, the Purchasers may over-allot or effect transactions which may stabilize the market prices of the Common Stock and the Debentures at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

Redemption of the Debentures on March 26, 1987. Debentures not converted or tendered to the Purchasers by the close of business on March 26, 1987 will be redeemed at the redemption price of $1,000 per $1,000 principal amount, plus $15.97 accrued and unpaid interest per $1,000 principal amount. No interest will accrue on or after the Redemption Date. Holders of Debentures surrendered for redemption in New York will be required to comply with the Interest and Dividend Tax Compliance Act of 1983 on or before the date of such presentation.

Sale of the Debentures through ordinary brokerage transactions. Debentures may be sold through a broker to others. Holders of Debentures should consult their own brokers as to this procedure.

Manner of Conversion or Tender. To convert or tender any Debentures to the Purchasers, the holder thereof must surrender the Debentures prior to the close of business on March 26, 1987 to the Agents at the address specified below. The Debentures must be accompanied by written notice of intention to convert or to tender the Debentures.

AGENTS

By mail:
Chemical Bank
P.O. Box 25996
Church Street Station
New York, New York 10008

Chemical Bank
Corporate Tellers
55 Water Street
RM 234, 2nd Floor North Building
New York, New York 10041

Chemical Bank
180 Strand
London WC2R 1ET, England

S.G. Warburg & Co. Limited
33 King William Street
London ECHR 9AS, England

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, L-2953
Luxembourg, Grand Duchy of Luxembourg

The Debentures may be converted only by delivery to the Agents for that purpose prior to the close of business, local time, on *March 26, 1987. Debentures not* delivered for conversion and not sold to the Purchasers will be redeemed as set forth above.

Copies of a Prospectus may be obtained from the Agents, the Purchasers, or Corporate Secretary, Reynolds Metals Company, 6601 Broad Street Road, Richmond, Virginia 23261.

The standby Purchasers are:

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
800/323-5678
or
212/902-1000 (within New York)
(call collect)

Salomon Brothers Inc
One New York Plaza, 45th Floor
New York, New York 10004
Ms. Ruta Ledins
212/747-3269 (call collect)

Reynolds Metals European Capital Corporation
By: Chemical Bank, as Trustee

Dated: February 24, 1987

UK NEWS

Caterpillar plant 'faces review if dollar falls'

BY NICK GARNETT IN LAS VEGAS

CATERPILLAR, the US construction equipment maker, would be forced to review the position of its plant at Leicester, in the Midlands, if the dollar weakened by 20 per cent, Mr George Schaefer, the company's chairman, said yesterday.

The Leicester plant, which employs 1,000, is the worldwide source for Caterpillar's range of Backhoe loaders and medium-weight rough terrain lift trucks, which are exported to the US and other markets.

"We would have to take a serious look at where we source these units," Mr Schaefer said. But he added that Caterpillar, which recently announced the closure of its Uddingston crawler tractor plant near Glasgow with the loss of 1,200 jobs, did not believe such a currency realignment – predicted by some economists – would happen.

The Leicester plant, said Mr Schaefer, was a good one, the workforce excellent and its products right for the market.

Caterpillar has doubled the workforce at Leicester in the last five years as it has become the sole source for some of the company's lift truck models and as the company began manufacturing Backhoes as part of its policy to broaden its product range by making smaller construction equipment.

Mr Schaefer's statement, made during an interview at the Conexpo construction equipment exposition in Las Vegas, indicates the potential vulnerability of construction equipment plants.

Caterpillar, like many other machinery makers, is trying to improve competitiveness by driving its costs down, partly by rationalising the use of factory floor space. It has announced the closure of nine plants in the past five years – seven in the US and two in the UK.

Mr Schaefer said currency changes had already made the production of the Backhoe in the UK more expensive than a year ago. However, its manufacture was still cheaper in the UK than in the US.

Margins have also been squeezed because Caterpillar was forced to cut the price of its Backhoes by 11 per cent last year in a bid to meet lower prices offered by JI Case of the US, the world's biggest Backhoe supplier.

Case decided to defend its market share partly by aggressive discounting once it entered the market 18 months ago with its first Backhoes.

Caterpillar is aiming for 20 per cent of the world Backhoe market. It is believed to have won between 5 and 10 per cent of the US market last year and is aiming for at least 15 per cent this year.

The announcement that Uddingston, which makes the D6H crawler, is to be closed provoked the present workers sit-in at the plant. Uddingston's production will be transferred to the company's Grenoble plant in France, which makes the smaller D5 tractor.

The Scottish plant's closure also led to a serious deterioration in the company's relationship with the Government. Caterpillar had said in September – three months before announcing the closure – that Uddingston would receive a £65m investment as part of the company's Plant with a Future (PWAF) modernisation programme.

Competitive industrial policy 'could create at least 1m jobs'

BY HAZEL DUFFY

AT LEAST one million new jobs could be created over the next five years by means of government policy designed to make British industry more competitive, say the authors of "Wealth Creation and Jobs"*, published yesterday by the Public Policy Centre.

Mr David Sainsbury, finance director of the Sainsbury supermarket group, and Mr Christopher Smallwood, economics editor of the Sunday Times, and former Treasury official, argue that the adoption of an industrial policy would allow for growth of public spending and new jobs, without pushing up inflation and consequent fall in sterling.

Mr Sainsbury said yesterday at the launch of his book: "I believe most businessmen, and many politicians, could support the sort of policy that we advocate."

In political terms, their policy is middle of the road. By advocating that government has a positive role in influencing the way in which British industry performs, they distance themselves from the market approach.

But they also reject the interventionist policies of the Labour Opposition, with its proposed National Investment Bank and the concept of government picking winners.

Both authors are involved with the Social Democratic Party, but they are anxious that the book should not be seen as an SDP document.

Its central theme is that governments in Britain have been preoccupied for too long with macro-economic policies. This obsession has amounted to a continual rearguard action – adjusting the pound downwards and deflating, imposition of incomes policies not just to regulate inflation but to produce the cut in real incomes needed to rebalance the economy in the wake of industrial failure.

Instead, a positive policy designed to stimulate long-term competitiveness of industry would help Britain hitch itself onto the virtuous circle enjoyed by German and Japanese industry.

The main mechanisms advocated to accelerate industry's adaptation to change, which are the province of government, are: education and training – a national curriculum, and leaving specialisation at school to a later age; technology – resources to be allocated to areas upgrading firms' capacity to use new technologies, as well as putting resources into major projects.

Wealth Creation and Jobs; David Sainsbury and Christopher Smallwood, Public Policy Centre, 10–12 Cork Street, London, W1X, IPD.

Bid to rescue jobs at Scammell plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AN ATTEMPT is to be made to set up a management-led consortium to save about 100 jobs and some of the operations at the Scammell heavy truck plant in Watford, north of London. The plant is due to close as part of the rationalisation of state-owned Leyland Trucks.

Although Leyland, part of the Rover Group, is to keep the Scammell name and switch most of the production to Leyland in Lancashire, it will give up making special heavy vehicles, above 50 tonnes gross weight.

The Watford factory can build trucks of up to 300 tonnes and, although demand is limited, the value of each is very high.

Mr Vic Wilkes, managing director of Scammell, said yesterday there was a possibility that a small, independent company could be set up to exploit Scammell's special heavy vehicle business. His prime objective would be to keep some production on the existing Watford site, where there has been substantial investment in the past few years.

Demand for about 200 trucks a year might save about 100 of the 600 jobs due to go at Watford. But Mr Wilkes emphasised that so far no detailed discussions had taken place with Leyland and "it may come to nothing."

Rover Group, Leyland Truck's parent company, said yesterday it would look sympathetically on any proposals put forward by the Scammel management. Daf of the Netherlands, which will control a joint company to be set up with Leyland, has also agreed to listen.

Mr John Beck, Scammell's works convener, said those made redundant would receive between £2,000 and £3,000 each on average. Many have worked for more than 25 years at Watford, where vehicles have been built for 64 years.

He disputed suggestions that there are job opportunities in Watford. "Companies do not require our sort of skills and I would say at least 400 of the redundant workers will stay on the dole."

● A Conservative critic of the proposed joint venture involving Leyland and Daf yesterday failed to obtain an emergency Commons debate on the financial terms of the deal.

Mr Michael Fallon argued that the deal would lead to privatisation of a major company without a proper debate. He said the joint venture might be formalised within days and it would be wrong to allow it to happen without a debate and decision in parliament.

"A Dutch company will be given, free of charge and free of debt, British public assets, a 23 per cent share of the UK market and a virtual monopoly of components supply in that market."

● As a result of a typographical error, Saturday's feature about Rover Group quoted the Rover corporate plan as saying that Honda of Japan "is critical of Austin Rover's immediate plans for new products and important for the future utilisation of facilities." This should have read: Honda is "critical to Austin Rover's immediate plans for new products."

Docks transport warning

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MOMENTUM of development in London Docklands could be slowed unless transport facilities and access are improved more quickly, Knight Frank and Rutley (KFR), the property agents, said yesterday.

Docklands, to the east of the City, are undergoing rapid transformation after the establishment of the London Docklands Development Corporation to supervise an enterprise zone where planning controls are kept to the minimum. For every £1 of public money invested there, £8.40 of private investment has been generated.

In an analysis of Docklands developments, KFR said that the LDDC had been spending 20 per cent of its budget on transport. The last annual LDDC report showed total spending in 1981–86 at £279m.

"Results are starting to show but major additional expenditure still has to be committed," KFR said.

A major problem is the quality of access. Although significant improvements are under way, "the programming is not necessarily in line with the rate of developments and the traffic this will generate."

There will be local traffic problems until 1991 and this could temporarily "dent Docklands' image and slow down the momentum of development."

300E: 0–62 MPH IN 8.2 SECS, TOP SPEED 139 MPH. 260E: 0–62 MPH IN 9.5 SECS, TOP SPEED 133 MPH. (MANUFACTURER'S FIGURES – AUTOMATIC)

To know why the Mercedes-Benz 300E is so relaxed at high speed, look closely at this picture.

The 300E and its only slightly less powerful sister, the 260E, possess classic Mercedes-Benz elegance yet slice through the air better than any other luxury saloons. You can see why.

The body is the epitome of aerodynamic purity. Key points are the rounded nose, rising waistline, almost flush side windows and a tail that makes the air leave the car as cleanly as it flows over it. Phenomenal performance with exceptional quietness is just one benefit. Unwavering stability is another.

What you can't see in the picture is an even more satisfying aspect of Mercedes-Benz performance technology: the 260E and 300E's new six-cylinder engines. These 2.6 and 3 litre electro-mechanically fuel-injected sixes are the synthesis of a myriad of technical advances patiently developed over many years of testing. Their single overhead cam design delivers the high power, quiet running and extreme smoothness previously the preserve of V8s.

The results are exceptional. With 188 bhp, the 300E is one of the fastest saloons in its class. The 260E's performance is only slightly less exalted.

As with every Mercedes-Benz, the technological integrity runs deep. *Car* magazine called the multi-link rear suspension system "the most sophisticated steel suspension ever put into volume production."

Other distinguished motoring journalists registered cornering power stronger than many sports cars, but whilst the Mercedes 300E is a super handler, its driver and passengers also enjoy a marvellously supple and comfortable ride. There is also the reassurance of standard electronic anti-lock brakes that enable a driver to steer whilst braking on slick surfaces.

The interior, too, is a study in safety engineering as well as comfort. Importantly for long-distance driving, the meticulous design of the seats and layout of the controls is aimed at removing fatigue.

There is something else about these cars: Mercedes-Benz build-quality – the renowned factor that led a leading national newspaper to deduce "the Mercedes can be expected to hold its value."

With these new 2.6 litre and 3 litre saloons, Mercedes-Benz once again set new standards for the industry. Their performance is total.

Mercedes-Benz

Engineered like no other car in the world.

RJA440/FT

UK NEWS

Philip Bassett examines a study of the decline in trade unionism

Role of non-union workers is growing

"THE employee relations of non-union firms, indeed almost the very existence of such firms, has been largely ignored by industrial relations scholars in the UK."

So – largely rightly – claims a new study on union organisation which at its core forms one of the first sustained attempts to look at non-unionism, which now constitutes a clear majority among the UK workforce.

The study, The Decline of Trade Union Organisation, by Mr Phil Beaumont, reader in industrial relations at Glasgow University is, as its title implies, mostly fairly pessimistic about union organisation in the UK.

In particular, it is sceptical about the suggestion that unions will bounce back when the economic climate improves, and argues instead that "the extent of trade union organisation in the future in the UK is being shaped by factors that transcend the current economic recession."

Mr Beaumont looks at a number of issues affecting union organisation, including the experience of the union recognition procedures under the last Labour government, moves in the public sector – such as the banning of unions from the intelligence – gathering centre at GCHQ Cheltenham – and the Conservative Government's drive against the closed shop.

But the focus of his study, which draws mainly from his own and others' published survey work, looks at the extent and impact of non-unionism in the UK. It approaches it by looking at the US experience, where union density levels are down to about 19 per cent, and where non-unionism is both more overt and more prevalent.

While Mr Beaumont suggests that geographical differences – there is no direct UK equivalent of the predominantly non-union US sunbelt – are important, he says that too much can be made of the differences between the US and UK experiences, and that the two countries may simply be at different stages of their management development towards trade unionism – although the UK may still never reach the US stage.

The study says that there is little real prospect of greater moves to non-unionism in British, multi-establishments corporations in the UK, although it says too that the industrial relations "pacesetters" in the UK are no longer companies like these, such as ICI, but instead predominantly non-union companies such as IBM or Marks and Spencer.

Additions to the number of non-union establishments in the UK are likely to come from single, independent companies and from foreign concerns.

Evidence from Scotland and from the north-west of England is used to suggest that "a relatively high proportion of recently-established firms, particularly in locations such as new towns, are non-union establishments."

However, these were in the main not the US-owned high-technology companies such as IBM, but "overwhelmingly British-owned, single independent establishments of relatively small size," in which employee relations are generally seen as involving good informal communications and flexible working practices.

The study finds that there is very little overlap between the usually highly-sophisticated employee relations systems of US-owned high-technology non-union companies such as Hewlett Packard, and the working practices of British-owned non-union establishments.

It says that if the former group, "as well as the household-name non-union firms in the UK, are acting as opinion leaders it is not among these particular establishments that they are exerting an influence, at least not at this initial start-up stage."

The essentially pro-union nature of the study is confirmed in some of its prescriptions for change. These include a re-think on the future role of statutory recognition procedures, taking in the "positive" lessons to be learned from practices in Northern Ireland, for example, where statutory recognition has been more successful than in the UK.

It suggests, too, that the Trades Union Congress should try to limit the degree of inter-union competition for recognition by such means as a code of practice specifying the minimal terms and conditions for an acceptable procedure agreement, and by using its industry committees to try to co-ordinate organising efforts.

Mr Beaumont ends by proposing an extensive list of areas, mainly on non-unionism, for future research. If that is a little inconclusive for a conclusion, that is hardly surprising: little is known about non-unionism in the UK – but this study is a good start.

The Decline of Trade Union Organisation, by P.B. Beaumont; Croom Helm; £25.

Door-to-door cargo link with Europe

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AN OVERNIGHT door-to-door air and surface cargo service between the UK and major cities in Western Europe is to be launched soon by a new company, Air de Cologne, a subsidiary of the Scandinavian Airlines System (SAS) group.

The service is already operating five days a week between the UK and Scandinavian centres, using a twin-engined DC-9 jet aircraft, but is to be extended (the precise date has yet to be announced) to cover services between the UK and Austria, Belgium, Denmark, France, Germany, the Netherlands, Italy and Switzerland. Services to Ireland, Spain and Portugal will follow in the near future.

Air de Cologne (or A de C) already has a workforce of several hundreds throughout Europe, but mainly based on Cologne as the hub of its European operations.

The DC-9 jets and ground vehicles (Citroen six-wheel supervans) of the company converge on Cologne nightly, transferring loads from aircraft to road vehicles or vice versa for onward shipment to their destinations, where delivery is guaranteed by 2 pm the following day.

In the UK, A de C's vehicles will be painted a distinctive black with a yellow crescent moon, and will be available to pick up cargoes as small as two grammes or as big as several hundred kilos for onward shipment throughout Europe.

The system is based substantially on the overnight deliveries of freight now a feature in the US. A de C has been running the venture between the UK and Scandinavia for some time, while preparing for wider European expansion.

Caterer welcomes privatisation delay

BY ANDREW TAYLOR

GOVERNMENT plans to open up public sector services such as hospital and local authority catering to private competition were not working properly and needed overhauling, the managing director of Britain's biggest private contract caterer, Gardner Merchant, said yesterday.

Mr Garry Hawkes said that the Government's decision last week to postpone new legislation to enforce competitive tendering on local authorities could prove beneficial.

It would provide a breathing space for all sides, Government, contractors and councils, to consider exactly what they wanted to achieve from competitive tendering.

Mr Hawkes, speaking at seminar organised by the company for local authority officers, said that the belief that main savings would come from cheaper labour and cheaper cost food was a misconception.

The biggest savings that private caterers could provide was on the management front. These savings could only be achieved if companies were allowed to tender for larger district-wide contracts, rather than bidding piecemeal for individual hospital or school contracts.

Contractors also objected to having to make fixed-price contract tenders against in-house operatives who might be prepared to bid prices down to uneconomic levels in an attempt to hold on to their jobs.

Private companies did not want to damage their reputation by winning contracts at prices which would require them to produce a poor quality service. Many private caterers as a result had been wary about bidding for fixed price health service contracts

UK NEWS

Changes leading up to Big Bang 'were justified'

BY ALAN CANE

"CONTINUOUS RUMBLE" was a better description than "Big Bang" of the changes taking place in the UK stock market, Dr Paul Stonham, head of Slough College of Education's department of accounting and business, said yesterday.

He told delegates to a London conference sponsored by the London Stock Exchange that October 27 last year, the date fixed for Big Bang, had been an important milestone but not a starting point; change in the stock market had been a continuous process for some years.

Nevertheless, the decision to go for a Big Bang now seemed justified: "The timing of Big Bang now seems right, the speed somewhat fast, but the concentration now on choice of technology absolutely correct as the most important objectives for the UK Stock Exchange must be efficiency, cost-effectiveness and international compatibility" he argued.

Mr Simon Tizard, client services manager for the stock exchange, told the conference that four new technology-based services would be inaugurated this year:

- Blox, a block order exposure facility to be piloted in the spring;
- Saef, the small order execution facility designed to cut dealing costs and pioneer electronic trading in London, planned for the autumn;
- Orbit, a dealers' workstation capable of handling a variety of different kinds of data to be delivered in the autumn;
- *Direct* broadcast, teletext transmission of 500 pages of securities process and other data transmitted over the BBC Datacast service.

Mr Stuart Valentine, head of the exchange's Wider Share Ownership Unit, said that Seaq, the computerised price information service, now made it possible to measure and monitor the market.

More than 130 stocks now had 12 or more market makers and one, British Telecom, had 21.

Competition had forced a sharp fall in the price of the market-making service as measured by the "Touch," the difference between the best bid and best asking price.

The average Touch of the 74 alpha – most frequently traded – stocks was about 0.6 per cent, he said or 2.8p on a stock priced at £4.75.

Government criticises attitude to research

BY DAVID FISHLOCK, SCIENCE EDITOR

A GOVERNMENT minister has accused British industry of being "at the top of the league in pay rises and bottom in research."

Mr George Walden, Higher Education Minister, told Cambridge University students yesterday that Britain was the only major nation whose industry preferred to invest in today's pay rises rather than tomorrow's technology and training.

Mr Walden was responding to a current campaign by scientists, supported by Opposition spokesman, urging greater government investment in science.

He said the idea that only government investment in science could "produce the goods" was a damaging illusion.

"What we need is a close regenerative partnership between the brains of our higher education and a more intelligently far-sighted industry."

"We have put more money into universities and polytechnics and are ready to fund a restructuring of academics' pay," he said.

Mr Walden urged industry to head the remarks of Sir George Porter, president of the Royal Society, who had told the Parliamentary and scientific committee last week that the Government's contribution to research and development in British industry was higher than in other countries – 30 per cent in the UK, compared with 15 per cent in West Germany and only 2 per cent in Japan.

Defiant Labour council spends to save jobs and services

Michael Cassell reports from Sheffield on a high-risk strategy aimed at stopping economic rot

CRITICS OF Sheffield City Council, *held firmly in the grip of Labour's* leftwing, like to describe the appointment of a peace officer as the authority's only successful decision. Since then, they chuckle, no-one has dropped a bomb on Britain's fourth largest city.

Yet in the eyes of the city's 63 Labour councillors – led from the front by Councillor David Blunkett, a forceful, free-thinking member of Labour's National Executive Committee – Sheffield has indeed been hit by a catastrophe.

They believe that only a radical and, inevitably, controversial pro*gramme of self-help has been able* to offer some protection from the full impact of an economic fall-out blamed largely on the Thatcherite enemy bunkered safely in London.

The alternative view is that Sheffield Council has many of the hallmarks of a left-wing dominated local authority, apparently out of touch with reality, saturated with political dogma and hopelessly overstaffed.

Those looking for evidence to support the case can point beyond the peace officer to the council's ideological links with the people of Nicaragua, the obligatory renaming of roads and buildings to honour Nelson, Mandela and councillors who are ready to organise 'Bloody Sunday' commemoration marches.

It is beyond doubt that, in recent years, a city which has long taken a deep pride in being one of Britain's best governed, has changed politi*cal complexion*. In all but *two of the* last 60 years, it has been Labour-run but now the old complacency and paternalism, bred when Sheffield was prosperous, has been replaced by a new generation of strident activists, angry at their city's plight and determined to reverse the rot.

The new mould is clearly reflected in the party's domination of the six parliamentary seats in South Yorkshire. Five are held by Labour and all but one of those by left-wingers – Miss Joan Maynar, Mr Richard Caborn, Mr Martin Flannery and Mr William Michie.

Mr Blunkett can confidently expect to replace Miss Maynard after the next general election. There is *some concern, however,* that when one of Labour's potentially leading lights travels to Westminster "to speak for democratic socialism on a wider stage", his moderating influence will be missed.

But even the council's fiercest critics appear ready to acknowledge that the extremist "loony left" label now attached to some London local authorities does not stick easily on Sheffield.

Council leaders are quick to recall the remarks of Mr John Banham, chairman of the Audit Commission, who said that the best local government was superb and then quoted Sheffield as "a shining example."

There is little disagreement over the scale of the crisis which confronts the city, recently named in an EEC survey as one of the most deprived in Europe. The economic upheaval brought about from the late 1970s by the contraction of the steel, metal and heavy engineering industries has been swift and shattering.

Less than 15 years ago, half the city's working population of nearly 300,000 was employed in the manufacturing sector. Now it provides fewer than 58,000 jobs. Unemployment has trebled since 1979 to around 16 per cent and one in three unemployed adults has not worked for over two years.

The devastation of industrial decline stretches out along the lower Don Valley, once the steel heart of the city but now a seemingly endless tract of broken buildings and derelict land, razed flat in order to attract EEC retraining grants.

The city's problems are not confined to a lack of jobs. It has the highest proportion of elderly residents requiring care, with 20 per cent of the population over retirement age. One-in-four Sheffield schoolchildren relies on free school meals or clothing benefits and there are chronic housing problems in a city where 93,000 homes are council owned.

Sheffield says that, faced with these and other pressing problems, the Government has responded by *cutting its contribution towards total* council spending from 60 per cent to 40 per cent. Undeterred, the city has continued to pursue an aggressive, high-spending style of *community politics designed to protect* jobs and public sector services but which has inevitably brought it into direct conflict with the Government.

It is proud of its ability as an employer to help cushion the unemployment crisis, in the last six years pushing up its own payroll from 30,000 to 35,000. Critics claim its proper response should have been to shed 10,000 jobs.

The latest plan to stimulate the local economy envisages the creation over two years of 25,000 public and private sector jobs, although the council accepts it will not get off the ground without Government funds.

In 1985, the campaign against Westminster's decision to ratecap the highest spending local authorities left Sheffield refusing to set a rate. Only after Labour moderates joined forces with the opposition parties was a rate fixed.

Sheffield's refusal to rein in spending has had – despite ratecapping, which is to be imposed again in the next financial year – a dramatic impact on the rates. Since 1981, domestic rates have risen from 135p in the pound to 323p during 1986-7.

Councillor David Heslop, leader of a Tory group barely half the size it was in the late 1970s, says: "The Labour group has stuck to a programme of rampant expenditure and, by a series of sleights of hand, managed to postpone the day of reckoning. They are simply hoping that a Labour Government will bail them out."

Mr Bev Stokes, chairman of Sheffield Chamber of Commerce and of *Bassett Foods*, now the city's largest manufacturing employer, points to the same isolationism and alienation from the business community: "They are not the 'loony left' but *they have flown the flag in our* faces too often, especially over issues like contract compliance. A lot of time, effort and cash has been used solely for political reasons."

Mr Blunkett's own strategy is clear and unrepentant: "We want a code which will not stifle the ability to make profits but which respects the rights of the local community." *He acknowledges that Sheffield's* suspicion of inward investment may have gone too far, though he retains a deep suspicion of "footloose" multinationals with no roots *or community conscience.*

For him, a Labour Government cannot come too soon. The alternative, he accepts, appears all too clear. "We have won the local electoral battle but if the Tories get back they will screw us and our people into the ground."

INTERNATIONAL COMPANIES and FINANCE

Canadian Tire family feud comes to a head

BY BERNARD SIMON IN TORONTO

A FAMILY feud among the controlling shareholders of Canada's leading hardware and automotive parts retailer has blown up into a stern test of regulatory and ethical standards in the Canadian investment community.

An appeal began in a Toronto court yesterday against last month's decision by the Ontario Securities Commission (OSC) to block three members of Toronto's Billes family from selling their shares in Canadian Tire (CTC) to the company's 361 dealers.

The court must decide whether it agrees that the dealers' bid, in the words of the OSC, is "as grossly an abusive a transaction as the commission has had before it in recent years."

The OSC, criticised in the past for its leniency towards corporate raiders and deal-makers at the expense of minority shareholders, put its foot down firmly in the CTC case. It said in its decision that if the sale was allowed to proceed, "confidence in our capital markets will inevitably suffer and individuals will be less willing to place funds in the equity markets."

On one level, the nine-day hearing which preceded the commission's decision gave a juicy glimpse into the family wrangles which have made CTC a tempting takeover target. Mrs Martha Gardiner-Billes, owner of 20 per cent of CTC's voting shares, ignored her two brothers, who have the rest of the 61 per cent controlling block, throughout the hearing.

Meanwhile, 84-year-old Mr Alfred Billes made a last-minute plea to his three children not to walk away from the company which has remained in family hands since it was founded in 1913. CTC is so much part of the Billes' lives that one of the brothers has suspended enamelled Canadian Tire products, like brake discs and exhaust pipes, above the indoor swimming pool at his Toronto home.

The struggle for CTC has also raised much broader concerns, including the rights of non-voting shareholders, the conduct of financial advisers and the power of regulatory authorities to block deals which may not be illegal but are clearly contrary to the public interest. The suit to block the CTC deal was brought by some of Canada's most prominent institutional investors and portfolio managers.

The CTC dealers, most of whom are wealthy independent entrepreneurs set off the furore last December when they offered to buy 49 per cent of CTC's 3.5m common shares from the three Billes siblings at a price of C$160.24 a share, four times their value at the time on the Toronto Stock Exchange.

The dealers made no offer at all to holders of the 83m non-voting, class "A" shares which make up 92 per cent of CTC's total share capital. At the time of the bid, these shares were trading at only C$12.

The non-voting shares were created four years ago when the three Billeses needed to raise money to buy a block of shares which their uncle, the company's founder, had bequeathed to 23 charities. The Billeses wanted the shares as part of their efforts to stave off a takeover bid from Imasco, the Montreal-based tobacco and retail affiliate of Britain's BAT Industries.

To reassure buyers of the new non-voting stock, the company inserted a "coat-tail" provision in its bye-laws stipulating that any offer for more than half the common, voting shares would have to be extended on identical terms to the class "A" holders.

This "coat-tail" provision explains the dealers' decision to limit their bid to 49 per cent of the common shares. An offer to the non-voting shareholders would have cost as much as C$1bn (US$746m) at prevailing market prices, in addition to the C$270m required for the 49 per cent block.

The dealers had already garnered a 17 per cent shareholding through open market purchases. Their partial offer was thus more than enough to give them outright control of the company. To prove their bona fides, the dealers paid the three Billeses non-refundable deposits totalling C$30m.

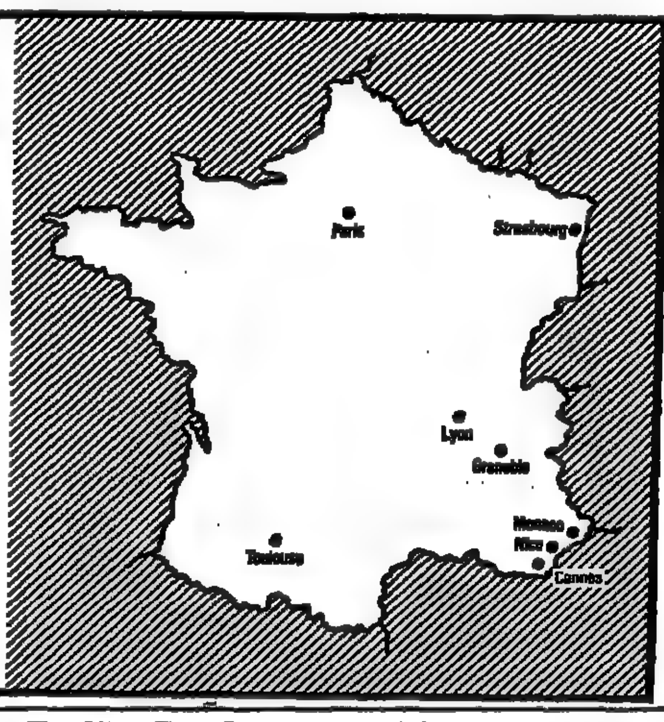
According to the OSC, "The sole concern of the Billeses and their professional advisers was to structure a transaction that would maximise the return to the Billeses without triggering the coat-tail." Evidence before the commission included a note by a merger and acquisitions specialist at Merrill Lynch Canada which spoke of "skimming the value" from the class A shares.

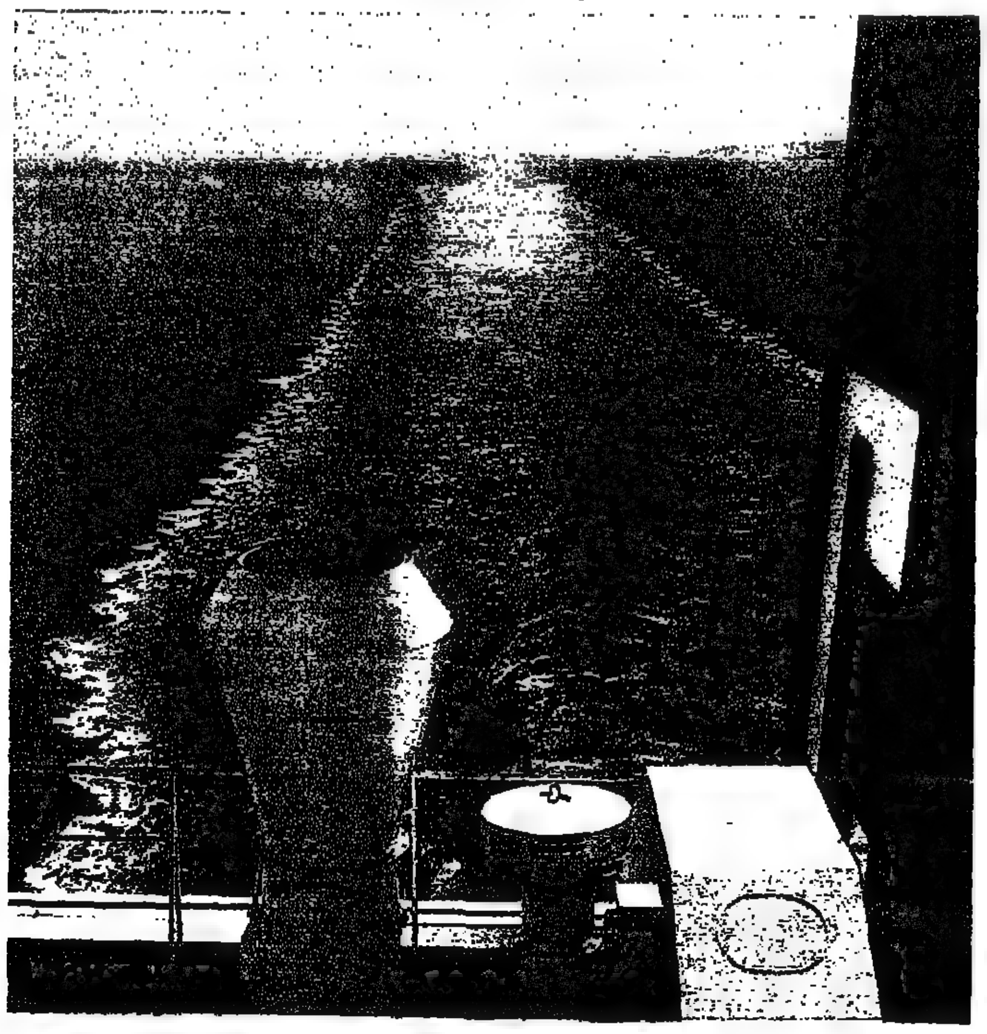
The commission has taken an unusually liberal view of its responsibilities towards the public, noting that it "should act to restrain a transaction that is clearly abusive of investors and of the capital markets, whether or not that transaction constitutes a breach of the (Securities) Act, the regulations or a policy statement."

It added that "a regulatory agency must have the capacity to move quickly to stop transactions which it considers to be injurious to the capital markets."

The OSC's views have already left a mark on Canadian financial markets. While the price premium on many companies' voting shares widened appreciably when the CTC dealers made their bid, the gap has narrowed since the OSC decision to block the deal. Meanwhile, other suitors for CTC are waiting in the wings.

No matter what the outcome of the appeal, investors apparently still expect that holders of CTC voting shares will end up with a better deal than the rest. While the voting shares have tumbled from a peak of C$90 to C$48.50, the class A, non-voting stock remains at a modest C$14.25.





MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

WHY IS a university degree such a rarity among the men and women who are setting up Britain's new business ventures? Outside the high-tech area the college-trained entrepreneur is hard to find. Does a further education inevitably quench any creative spark?

Why do British students opt for the relative safety of the big company "milkround" and allow themselves to be snapped up by the likes of ICI, Marks and Spencer and the Civil Service, rather than setting up in business on their own?

Part of the answer lies in the big business culture which predominates in Britain's colleges and universities. Careers advisers often present employment as the only real option and ignore the alternative of self-employment.

"You can't make entrepreneurs but the education system can destroy them," Lord Young, Employment Minister, told a small business seminar last month.

Set this against the background of a recent survey which found that on average small businessmen had a lower level of formal education than the employed (rather than self-employed) population generally and the contrast appears even sharper. It is little consolation that British management generally is less well-educated than that of the country's main trade competitors.

There are, however, signs that this neglect of the small business sector is starting to change. The Government, industry and some colleges are developing programmes to encourage graduates to start up in business on their own.

● The English Graduate Enterprise Programme began with 40 students in 1984 and is recruiting 100 this year. It provides six weeks' full-time business school teaching interspersed with periods for carrying out market research and to raise funding.

● Durham University Business School heads a North-Eastern consortium of colleges running a Graduate Into Enterprise Programme to help graduates in the region start up their own firms. This idea is now being taken up by colleges in the North-West, Yorkshire and Humberside and the South-West of England.

● The Graduate Gateway Programme, which is aimed at graduates whose degrees are not in subjects sought by big companies, took 100 students in 1985 and plans for 800 this year.

This programme, funded by the Manpower Services Commission, gives unemployed graduates a ten-week placement with a small firm.

● The Shell Technology Enterprise Programme arranged for 20 second-year undergraduates with a science and technology background to work in small- or medium-sized firms during the 1986 summer vacation. This scheme will be extended to 50 students this year and take in colleges in the north-west as well as north-east of England.

Eileen Gillibrand: from natural sciences to natural foods

Opening graduate eyes to entrepreneurialism

BY CHARLES BATCHELOR

Alongside these formal programmes an informal network of college entrepreneurs is starting to develop. ACE (UK), an offshoot of the American-based Association of Collegiate Entrepreneurs, has established links with 47 British colleges since it was founded last summer.

"In the past most graduates had the idea of going into a steady job in industry or the professions," says ACE (UK)'s Janine Cassan. "But the alternative of doing something for themselves rather than joining the corporate treadmill is taking off quite fast now."

But why should it be important to persuade graduates to start up their own businesses if they can find worthwhile career opportunities elsewhere?

The answer is that fewer jobs are being created by big companies. This has fuelled the interest in small firms as creators of jobs and ideas.

If the small firm sector is to thrive, then—like big business—it must have access to the brightest young people.

Encouraging undergraduates to begin developing their business activities while they are still studying allows them to experiment while the stakes are still low, says Cassan.

There are also regional advantages to persuading graduates into small business. They can make an important contribution to the economic health of these regions, according to Mike Scott, of Durham University Business School.

"The northern economy has suffered from the decline in the fortunes of the big companies which established plants here," he says. "A lot of our talent is siphoned out. We have to lock people in by encouraging them to start their own business or work for a small firm in the region."

What special qualities can graduates bring to the small firm sector?

"They are usually good at using information," says Tom Cannon, professor of business studies at Stirling University. "Research has shown that most non-graduate small business people have difficulty making use of non-personal sources of information."

Graduates are also regarded as having higher levels of "interpersonal skills" (putting themselves over to others).

That this apparently irresistible combination of qualities has not yet resulted in large numbers of graduates setting up businesses or joining small firms in large numbers is due to several factors.

Apart from the hostility of many academics to commercial considerations of any kind even favourably intentioned colleges often lack the skills to teach entrepreneurship.

"We are trying to attack the way higher education approaches this," says Scott. "Teaching enterprise is quite different from even traditional business school training. You can't just switch on to enterprise. You need the staff."

Most colleges' careers advice organisations have a big company bias. Though Britain now boasts six small business professors, compared with just one a few years ago, the experience of most academics is with large companies rather than self-employment or small firms. The small business professors are all attached to universities or business schools and have created a specialisation out of their general business studies background.

Small firms do not have the resources to trawl the colleges looking for recruits. "If you want to join ICI there is the milkround," says one academic. "There is no such service for small companies."

Despite these obstacles the trickle of graduates into the small firms sector is beginning to grow.

● Eileen Gillibrand, aged 23, started The Whole Meal Shop, a health food store and take-away, in Accrington, Lancs, last November after taking a Graduate Enterprise course.

The idea came to her while travelling for her previous employer, "standing round on stations looking for something nice to eat" and from the nutrition studies which formed part of her natural sciences degree from Cambridge.

● Sunil Vadhera, 25, decided he wanted to work for himself once his quantity surveying degree course at Newcastle Polytechnic was over and he went on to take a 10-week business start-up course.

Having always been keen on weight-training he opened a gym, The Body Zone, with his partner Abid Nawaz, in July 1986. After a difficult start the business is now in profit on turnover of £600 a week and there are plans to double its size.

● Howard Fabian, 25, expects to double the turnover of Howard Visuals, his novelty greetings card business, to £60,000 in its second year of trading, which ends in May. The business made a five-figure profit in year one.

After completing his business studies degree at Manchester Polytechnic, Fabian took a Graduate Enterprise course to help develop an idea he had had for some time. He plans soon to add a line in novelty stationery.

Despite the changing attitudes to graduate enterprise there is a long way to go. While 2 per cent of US graduates start their own business, in the UK the figure is just one third of one per cent, or some 500 a year.

Yet graduate businesses perform better. Stirling's Tom Cannon says: "All the evidence from the US, West Germany and Japan is that graduate businesses grow faster, employ more people and spin off more ideas."

"The businesses our students are setting up may not be ones to make the Japanese tremble," says Durham's Mike Scott. "But what is important is that they are a way into entrepreneurship.

"If someone only wants to open a sports shop, why worry? He may open two, start importing and then manufacturing. You don't have one grand idea for life; it's a learning process."

In brief . . .

A DETAILED survey of the British venture capital industry is provided by the third edition of The Venture Capital Report Guide to Venture Capital in the UK out this month.

The guide provides a directory of UK sources of venture capital ranging from the specialist companies involved through Business Expansion Scheme funds to the banks.

It also offers advice on preparing a business plan and a case study of a small company which raised funds in this way. At 464 pages the latest edition is nearly twice the size of its predecessor, published in July 1985, and contains useful indexes of investors, the people in the industry and investees.

Author of the guide and of the monthly Venture Capital Report is Lucius Cary, who started writing about venture capital fund raising on the basis of his own experience raising money to set up a chain of fast food bars in 1972.

*Available price £25 including p & p from Venture Capital Report, The Refuge Building, 20 Baldwin Street, Bristol BS1 1SE.

●

SMALL businesses employing between 50 and 200 people may apply for grants of up to £15,000 towards the cost of management consultancy under a national scheme launched by the Manpower Services Commission. The MSC expects to help about 120 firms through its MACE (Managing Company Expansion) scheme.

●

BUY-INS seem set to take over from buy-outs as the fashionable corporate finance deal.

On Wednesday, March 11 a one day conference entitled Management Buy-Ins and organised by Midland Montagu Ventures will be held at the Royal Garden Hotel, Kensington, London. Cost £195.50 inc VAT. For more details and bookings contact European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leics, LE15 9PY.

●

ORGANISATIONS concerned with developing small business in London and the south-east will be represented at the Annual Gathering of New Enterprise Enablers at London's Centrepoint on March 4. Details from URBED, 480 Fulham Road, London SW6 5NH.

An enterprising source of jobs

BY RHYS DAVID

IF THE enterprise agency movement was going to start anywhere in Britain St Helens was a good bet. It has always been an independent place with a strong sense of community and a determination to avoid being overshadowed or interfered with by the two big cities between which it lies — Manchester and Liverpool.

Just as importantly, in Pilkington Brothers (the glass maker which has its headquarters in the town) there lay both the cause and the catalyst for a drive to find ways of creating jobs. Modern technology had begun by the late 1970s to eat drastically into the safe jobs which Pilkington had previously been able to offer and the directors, living in the area rather than visiting it from a location somewhere in the south-east, saw that this was a problem they could not walk away from.

Yet, and *it is* difficult to appreciate this given the speed with which 300 similar agencies have since blanketed the country, the idea which evolved only nine years ago was for its time quite revolutionary, and as Ian Hamilton Fazey's excellent book makes clear, depended for its initial conception, subsequent survival and vigorous growth on one remarkable individual—Bill Humphrey, the first director of the Community of St Helens Trust.

It also depended on several strands of good fortune, or more accurately opportunities, which those involved were sharp enough to seize. It just so happened that at a time when a group at Pilkington was examining how to create new jobs it came across an exercise being carried out in south London by Humphrey — a Second World War RAF pathfinder whose subsequent career, much of it abroad, had included a spell as a director of a Pilkington subsidiary in India.

Apart from the advantage this gave him in knowing some of the personalities at or near the top in the glassmaker and its ways of operating, he also turned out to be just the sort of determined individual needed to establish the St Helens Agency on the proper basis. Before he joined, Humphrey insisted on throwing most of the Pilkington team's ideas out of the window. The approach must be bottom-up, a service to individuals seeking to set up their own business and needing guidance, rather than top down, a gentle pushing of people out into the market on a cushion of subsidy. Under such a system new businesses never become viable, he argued.

All sound stuff which we know backwards after eight years of Conservative government but radical indeed in 1978 at a time when Labour was still in power and central authorities were generally looked to for the solution of problems.

Humphrey saw the value of involving the community as widely as possible and of keeping Pilkington — always in danger of being charged with paternalism — in the background. The coalition he and others formed worked well in the trust's early years but sadly, as Fazey relates, came under attack for lack of "democracy" and "accountability" from St Helens' hard left Labour party in 1983 and 1984—a challenge it succeeded in overcoming, however.

Evolution

Fazey has had the advantage of access to Humphrey's diaries and has been able to chart these and the other comings and goings in the evolution of the agency with admirable clarity.

Where his work does perhaps suffer is in failing to focus at all on the St Helens' agency's clients. How well have the individual businesses fared, indeed have any grown to become medium-sized or perhaps even made it to the Unlisted Securities Market? What are the continuing problems confronting small firms in a depressed UK region?

Such a study will perhaps form part of one of the many academic works on the enterprise agency movement no doubt now being undertaken and it would be surprising if Fazey's book does not end up as core source material for most of these.

The Pathfinder. The Origins of the Enterprise Agency in Britain. Ian Hamilton Fazey. Financial Training Publications, Holland House, 140-144 Freston Road, London W10 6TR £7.95

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Company Notices

ENERGY SEARCH ONE N.V.

Notice is hereby given that at the Extraordinary General Meeting of Shareholders of Energy Search One N.V., hereinafter to be called "the Company," held in Curaçao on 12th February, 1987 a resolution was passed to make distributions out of the share premium account to shareholders. Shareholders are entitled to a distribution to an amount of US$50 per share of the Company, such distribution to be reduced to US$27.57 per share to holders of those shares of the Company who received in or around September, 1983, by way of an (illegal and invalid) dividend, shares of Chronar Corporation stock and have not returned the Chronar Corporation stock before 7th July, 1986.

As from 5th March, 1987, the distribution is payable at the office of Pierson, Heldring & Pierson N.V., Herengracht 214, 1016 BS Amsterdam, The Netherlands.

Holders of bearer share certificates should present and surrender these at the abovementioned office of Pierson, Heldring & Pierson N.V. with coupons attached as from No. 3 as proof of non-receipt, or the timely return to the Company, of Chronar Corporation stock in order to qualify for the US$50 per share distribution. Holders who can present their bearer share certificates of the Company only with coupons as from No. 4 stock will receive US$27.57 per share of the Company.

At the Extraordinary General Meeting of Shareholders held on 12th February, 1987, a resolution was further adopted to amend the Articles of Incorporation of the Company to convert the bearer shares of the Company into registered shares. Holders of bearer shares are therefore requested to surrender their share certificates to Pierson, Heldring & Pierson N.V. and to indicate in which name and address the entrance in the shareholders register of the Company should be made and possibly what bank accounts should be used for payment of distributions.

In view of the developments indicated above, the Company has requested the Luxembourg Stock Exchange to withdraw the listing of its shares. The Stock Exchange has resolved to delist the shares of the Company as from 27th February, 1987.

CARIBBEAN MANAGEMENT COMPANY
Managing Director

Willemstad, Curaçao
24th February, 1987

Company Notice

Curaçao Depositary Receipts of PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation has declared a cash dividend of Yen 12 per share for the financial year covering the period 1st October, 1985–30th September, 1986, which will be payable as from 27th February, 1987 at the office of the undersigned. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement will be available to holders of CDR's against surrender of coupon No. 27 less 20% Japanese withholding tax, to the effect that per CDR evidencing
5 Depositary Shares $ 3.12 (3.32)
10 Depositary Shares $ 6.24 (6.64)
and
100 Depositary Shares $62.40 (66.40)
is paid.
The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until 1st May, 1987 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable from the undersigned), evidencing that the beneficial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Japan.
In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange unless otherwise instructed.
PIERSON, HELDRING & PIERSON N.V.
Amsterdam,
18th February, 1987

FT LAW REPORT

Embassy letter protected from UK libel action

AL-FAYED v AL-TAJIR
Court of Appeal
(Lord Justice Kerr, Lord Justice Croom-Johnson and Lord Justice Mustill):
February 19 1987

AN INTERDEPARTMENTAL document issued by one foreign embassy official to another concerning the addressee's conduct in his official capacity is absolutely privileged, not because it is an "act of state," but for reasons of comity; and it therefore cannot be the subject of a UK libel action, though its contents may disparage a foreign national unconnected with the embassy.

The Court of Appeal so held when dismissing an appeal by the plaintiff, Mr Muhammed al-Fayed, from Mr Justice Stocker's decision that a document allegedly published by the defendant, Mr Muhammed Mahdi al-Tajir, was absolutely privileged.

* * *

LORD JUSTICE MUSTILL said that Mr al-Tajir was ambassador of the United Arab Emirates to the Court of St James. During 1982 he resigned. For the next 12 months he continued to concern himself with the affairs of the Emirates. On November 15, 1983 he was reappointed. During the interregnum between his resignation and re-appointment there was no ambassador. The counsellor at the embassy was Mr Nabil Nijazi.

Mr al-Fayed was a businessman with substantial interests in the UK. He had for a number of years been prominent in the affairs of the Emirates, and had been on close terms with Mr al-Tajir. One of the fruits of his relationship had been the procurement by Mr al-Tajir on his behalf of certain privileges at Heathrow airport concerning the VIP lounge and access for his limousines to restricted areas.

The relationship took a turn for the worse and in September 1982, during the interval between Mr al-Tajir's resignation and re-appointment, a memorandum came into existence in terms sharply critical of Mr al-Fayed.

It was addressed to Mr Hijazi with copies to the charge d'affaires, and to the Ministry of Foreign Affairs in Abu Dhabi. It was subscribed with the words "ambassador" *per pro*, the signature of the charge d'affaires, and Mr al-Tajir's name.

The letter stated that the sender was extremely annoyed to learn that Mr Hijazi had contacted the airport authorities for the purpose of granting Mr al-Fayed two passes to enter Heathrow in his car in the name of the embassy.

Mr Hijazi was temporarily recalled to Abu Dhabi for discussions, but ultimately he returned to his post as counsellor in London. Meanwhile he had shown the memorandum to Mr al-Fayed.

On May 3 1983 Mr al-Fayed issued a writ claiming damages for libel.

The defence denied that Mr al-Tajir had written or published the letter. It was said that the document was an embassy interdepartmental memorandum, and that communications relating to matters of state by one officer of state to another were absolutely privileged and could not be made the subject of libel.

Mr Justice Stocker held that publication of the document was not actionable on the ground that it was a communication by one officer of state to another relating to a matter of state and was the subject of absolute privilege.

*

Since the eighteenth century the courts had recognised the need to abstain from requiring the production of communications addressed by or to high officers of state relating to matters within their competence.

The doctrine that certain types of document were invulnerable had developed over the years from a notion that they should not be taken out of the hands of high officers of state, to a refusal to allow them to be given in evidence, and finally to a ruling that they were the subject of absolute privilege.

Although the protection was derived from considerations of public policy, those considerations were not the same throughout.

The rationale of cases such as *Chatterton v Secretary of State of India [1895] 2 QB 189* was that the direct interests of the community in the UK demanded that certain of its officers should be able to communicate candidly on certain subjects without running the risk of being brought before the courts.

There was no such direct interest when the document passed between two persons unconnected with government and administration of the realm, on matters equally unconnected.

It was preferable not to extend the principle in *Chatterton* to documents created within and for the purposes of a foreign mission. Rather one should look to see whether there was any ground on which immunity should be granted because the UK had an interest in conceding privileges which it would, in kindred circumstances, wish to be accorded by the foreign state.

There was no rule of statutory or case law leading directly to a solution. There was nothing material in the cases concerning acts of state, because they were founded on considerations of public policy which had no bearing on the present case.

If there were to be immunity from liability it must rest on the other aspect of public policy described as "comity."

*

Matters which provided an important background, were that; (i) the law of nations, as reflected in the Vienna Convention, treated embassy documents as sacrosanct; (ii) there were *situations in which* the English court would find it inexpedient to investigate the actions of a foreign state or legislature, though they fell within its formal jurisdiction.

The question was whether the English court should inquire into the merits of a letter written by one person exercising high supervisory functions in a foreign embassy to a senior official of that embassy, and raising questions as to the conduct of the plaintiff foreign national in relation to privileges obtained for him by the embassy.

The court was faced with conflicting aspects of public policy: the need to confine to an absolute minimum curtailment of a litigant's right to sue for a wrong committed in England; and the need to confine to an absolute minimum any meddling by the English court in the affairs of a foreign sovereign.

Normally the latter consideration should prevail unless there was some general objection, or some objection in the circumstances of the particular case.

Mr al-Fayed made the following general objections:

First, there was no need to grant absolute privilege to communications of this kind, since qualified privilege would furnish the defendant with all the protection which in justice he could reasonably require.

That was beside the point, since issues of justification and malice opened up by a plea of qualified privilege would require precisely that inquiry into the workings of the foreign embassy which an English court ought to abjure.

Second, it was argued that diplomatic immunity was sufficient to secure the interests of justice and to maintain the dignity of the foreign state.

The respect owed by one state to the sovereign of another and his diplomats was not the same as a voluntary abstention by the courts from inquiring into the embassy's conduct.

A foreign sovereign might well take the view that his dignity would be impaired by insisting on a personal immunity for one of his officers in respect of a civil suit; but that was not inconsistent with the attitude that the author of the embassy document should be answerable only in the courts of his own country.

Third, it was contended that if immunity were granted in the present circumstances, the net would be cast wider than if the subject matter had been a communication between officers of the Crown.

That was correct in the sense that persons of less rank than the high officers of state contemplated by the *Chatterton* line of authority would be able to avoid liability. It was not, however, a valid objection since the considerations of policy were quite different, and might be expected to yield different results in individual cases.

With regard to objections relating to the particular case, it was submitted that since the document had been disclosed voluntarily and put in evidence without objection, no question of violating embassy documents could arise.

Conduct of the trial had lain in the hands of Mr al-Tajir, not the government of the Emirates. No renunciation by the government of its right to be free from inspection of its affairs by the English court was to be inferred merely from the fact that it had taken no steps to intervene.

Nor was it an answer that Mr al-Tajir was not ambassador at the relevant time. When questions of comity were involved the formal position of the writer should not be conclusive.

The document was subject to absolute privilege. The appeal was dismissed.

Lord Justice Kerr gave a concurring judgment. Lord Justice Croom-Johnson agreed.

For Mr al-Fayed: David Eady QC and Stephen Suttle (McKenna & Co).

For Mr al-Tajir: Edward Evans-Lombe QC, Hazel Fox and Geoffrey Shaw (Fox & Gibbons).

By Rachel Davies
Barrister

THE ARTS

Royal Festival Hall/William Packer

Mervyn Peake illustrates his many talents

The writer-poet-painter is not altogether an unusual figure in the history of British art but — with the obvious exception of William Blake — none has yet achieved and maintained a firm place in the *front rank of either profession*, let alone both. The comprehensive genius is an attractive and engaging character but only, it *would seem, as an ideal*.

The general experience suggests that a certain concentration in one field at the expense of another is in the very nature of creative endeavour if it is to be sustained at the highest level of achievement. Even with Blake, it is the visionary poet who can stand alone; the painter, extraordinary as he is, who feeds off the literary imagination and exhibits the narrower range.

In more modern times it has been the case rather of serious engagement and often admirable achievement at a more modest level, and perhaps a degree of uncertainty as to *which commitment to make*. Wyndham Lewis, for example, occupies a position both as writer and painter that is re*spectable enough, but his im*portance to art history lies even more with his role as general stimulus and influence, and noone would argue his greatness exactly.

David Jones was the most gentle, idiosyncratic and particular of painters, working like Blake within the narrowest visionary sensibility. As a poet he was more obviously ambitious in his scope and was the greater artist, greater perhaps than we yet recognise. Michael Ayrton was always an artist of more promise than achievement and, in his painting and sculpture, more literary than visual, a true illustrator. And there *is Mervyn Peake*, a true poet with a most distinctive voice, a darkly fantastical novelist, a brilliant illustrator drawn instinctively *to the black comic* and surreal tradition in English literature, and the painter and draftsman of great gifts and facility whose energies seemed always to be distracted elsewhere.

It is often the case, when particular works touch a nerve in the popular imagination and as a result become celebrated into a cult, that this genuine enthusiasm can actually distort and travesty its object, and fix an artist of wider accomplishment in reputation upon a single work. The Gormenghast Trilogy is undoubtedly a remarkable literary achievement, sure to hold its place on merit *in the canon of English litera*ture and not just as a representative product of the distempered post-war imagination.

But *it is* no more than right that it should be set clearly in the informing context of a life's work and its author seen whole. *The Mervyn Peake Ex*hibition, quite as much biographical as retrospective, which now occupies the main foyer of the *Royal Festival Hall* (until April 12) is therefore most welcome.

The show is surprisingly dense. A handful of novels, a little poetry, some books for children and a scattering of paintings and drawings, with the art-work to illustrate the works of others supplying the mass of the material, may not be thought to amount to a major oeuvre, but the dismissive expectation is not fulfilled. The visitor leaves rather with a real *sense of how much* was achieved and in so short a time.

One may feel, perhaps, a certain regret at the particular *emphasis towards illustration*, but then artists must live, and so conspicuous a talent in that direction was sure to be *taken up. And it takes an artist* to take on great works of popular literature that are already so strongly established in the pictorial imagination of the reading public. To do so and yet produce work of sufficient authority and originality without resorting to mannerism or artifice, and without cheapening the precedent, is itself achievement enough. Alice; Treasure Island; The Hunting of the Snark; The Brothers Grimm; The Ancient Mariner—the list makes the point of itself.

But there remain the paintings, and most especially the drawings, to give us pause. Peake trained as a painter and taught painting and life drawing for a period in his early career. *Here we are given tantalising* glimpses of a deep knowledge of the figure, and a wonderful accomplishment in its expres*sion, which necessarily informed* his work as an illustrator and without which his success would have been impossible.

One or two paintings of girls from the late 1930s, one very free and direct in its statement, half-length and leaning on a table; another in blue with a cat on her shoulder; a student self-portrait; a tiny seated nude from the middle years of the Second World War — the painting is always simple and sombre *yet febrile* and energetic and always faintly, characteristically sinister and questionable. The drawings are the more straight*forward and far too few*, portrait studies, rapid and fragmentary, which include the *briefest, most ravishing note* of his wife, Maeve, caught on the wing.

Any final disappointment lies only with the knowledge that here we confront a life's work which is in the end frustrated, unresolved and incomplete. Peake died in 1968 at the age of 57, confounded by an inordinate martyrdom to Parkinson's Disease, which from 1961 had rendered him incapable of any work. Twenty-five years or so embrace his effective career, and it is the work of those years, as a whole, that is rightly celebrated now. "The paper is breathless/Under the hand/ And the pencil is poised/Like a warlock's wand. . . ."

"GI in Shaftesbury Avenue"—Chalk Drawing, 1945

"Long John Silver"

Panic/Watermans Arts Centre

Claire Armitstead

A rolling hillscape is flashed on to three screens set at right *angles* on a bare stage. Beneath them lie five white figures, who jerk upright, clutch wildly at their knees and, in an instant, are prone again. So starts *Panic*, the latest from Lumiere and Son, which opened last week at Brentford's Watermans Arts Centre a short hop from Kew, where last summer this dynamic company transformed the botanical gardens for three nights into a tropical rainforest.

In this case, the product plays no games with its environment. *Panic* is a glossy, multimedia creation which seems ideally suited to the smart new ambience of this riverside complex. But *for all that it is* strangely disappointing: the company would no doubt say the show is what you make of *it, but there is an irresistible* temptation at times to yield to admiration without thought—an inadequate response to some*thing which revolves around* the snapping point in the lives of ordinary women whose ordinary experiences become bizarre through repetition, *hurtful* through expectation. Loneliness, sexual frustration and self-image are recurrent concerns *of the five performers, dressed* identically in white with long piebald tresses.

To music composed for them by Jeremy Peyton Jones, they run through immaculately choreographed and disciplined dances of isolation and anxiety, moving up to microphones at the front of the stage to articulate their anguish in wordless singing, or to confide their often shocking stories.

Deviser and director Hilary Westlake demands and gets a total unity of music and movement. The performances are seamless, and there's the rub: the signals these elegant, consumately talented performers send out are at odds with the picture they are drawing. They are almost too good to be true, and there is no trace of self-irony to break down the gap.

Part of the problem is the lack of a solid script to back up the performance; part of it *is a self-indulgence with visual* imagery that switches from London to the Scottish countryside with no obvious reason *other than to show off the un*doubted skills of photographer and lighting designer Simon Corder, who reaches a zenith *with a projection of trees on* to the stage that covers dancers and all with a chaotic crisscross of twigs. I marvelled and *then I stopped to think.*

Barenboim/Barbican Hall

Andrew Clements

The shape of Daniel Barenboim's Chopin recital on Sunday afternoon was routine; only the details—which sonata, polonaise, ballade—needed to be entered in the programme. In general he opted for the most popular example of each genre —the B flat minor Sonata, A flat Polonaise, G minor Ballade—adding the *Berceuse* and the F minor Fantasy for weight and variety.

Unhappily the same sense of routine pervaded his playing. *Whatever plan he had mapped* out in advance for each work was submerged in a welter of congested textures, fudged bra*vura, and petulant rubato*. As long as everything ended noisily and with a simulation of virtuosity the capacity audi*ence seemed happy*; whatever had happened before those final pages seemed as profoundly irrelevant to Barenboim as it was to most of his admirers.

Only the *Berceuse* escaped from the nightmarish round of raw-toned approximation, temporarily recovering a well focused tone and a grasp of musical shape that allowed the filigree decoration the opportunity to blossom expressively. For the rest, brief notes should suffice: the Fantasy deprived of dramatic tension from its opening bars, rhythms lacking tautness, lines muddied; the Sonata dispatched in a flurry of feigned excitement, without any obvious attempt to impose coherent sense; the Ballade and Polonaise acceptably *restrained* in their quieter moments, but all too predictably raucous when the emotional temperature began to rise. An occasion hardly worthy of such a distinguished artist.

LSO/Barbican Hall

Dominic Gill

The London Symphony Orchestra's "Stravinsky plus" festival reached the end of the six-concert series, and the year 1945, on Sunday night.

Stravinsky's musical response to that tumultuous year was characteristic: a Symphony in Three Movements obliquely en*titled a "war symphony," but* linked to the war in no direct or expressionistic sense. In a note about the music he hints *at a "programme," but the idea* is withdrawn almost as soon as it is proposed — "In spite of what I have said, the Symphony is not programmatic. Composers combine notes. That is all."

The year of 1945 was also that of Shostakovich's enigmatic ninth symphony — enigmatic at least for the Russian public who expected something more like a victory symphony, and were disturbed by what seemed no more than a *sequence of* small-scale, even-tempered intermezzi. They did not recognise that peculiar tone in which (from the fifth symphony onwards) Shostakovitch excels: a wryly humorous manner, deft and bittersweet, underpinned by currents of the highest (and often the darkest) seriousness.

Rozhdestvensky's command of the LSO was firmer, and less *fraught with chance encounters*, than it had been for *The Rite of Spring* and Debussy's *Images* a fortnight earlier. His direction of the Shostakovich symphony was warm and idiomatic, and nicely attentive to the ambiguous currents—there were some neat twilight shadings in the slow movement especially. Stravinsy's Symphony came across jubilantly enough — though without the fine-honed, unequivocal, razor-edge ambiguity that Boulez's performance, for example, commands.

For the rest, from 1945, there was also Stravinsky's little Ebony Concerto, written for Woody Herman, neatly delivered, rhythmically a little dull; and Benjamin Britten's *Four Sea Interludes from Peter Grimes*, vividly expressionistic, nothing to do with the war, but more evocative of its turmoil than any of the evening's larger works.

Stravinsky Plus/Barbican Hall

David Murray

Rozhdestvensky's Stravinsky festival with the London Symphony has been titivated with smaller lunchtime concerts, *as well as pre-concert "foyer music"* in the evenings. Younger performers have been given welcome opportunities, of *which the boldest was indisput*ably young Stephanie Donnelly's: to fill in for an ailing soloist at Thursday lunchtime, she learned *Kurt* Weill's *1924* Violin Concerto *at one day's notice.*

As gifts from out of the blue go, this might seem to have all the attraction of being handed a grenade with the pin already drawn. If Miss Donnelly quailed, she gave no sign of that; on the contrary, she sounded unruffled, lyrically assured and cogent. I should call that a far more impressive feat than, say, delivering the Mendelssohn concerto at an international competition after five years' practice. Ideally, the solo part in Weill's sometimes abrasive piece (accompanied by wind band and string basses) can use a more *forceful* cutting edge, but the conductor Lionel Friend tailored the sound-scale of his Guildhall band expertly *to the needs of the occasion*. The result was a thoughtful, rewarding performance of an intriguing work.

Losing the Weill from the programme would have been a great pity, for the pairing of it with Stravinsky's Piano Concerto—almost exactly contemporary, and with much the same orchestra—was a marvellous idea. Nigel Hill was a crisp, clean-fingered soloist in the Stravinsky, and Friend allowed the band to be properly aggressive while keeping the music cool and taut. The Guildhall is producing excellent players: a young trumpeter distinguished himself in the Weill, and in Stravinsky there was characterful, well-tuned playing from every quarter.

On *Friday* it was the turn of the Songmakers' Almanac to do lunchtime Stravinsky, and a little music by his predecessors. This time the Almanac format had only a qualified success: on a large stage before a small audience, the linking narration and commentary seemed uncomfortable (sometimes fruitily effusive, sometimes flat and unilluminating). Though each of the Almanac's team-of-the-day had his or her moments, not all of the songs allotted to them fitted happily.

At the piano Graham Johnson was bright in fast songs, strangely pallid in slow ones (Stravinsky's neat setting of "The Owl and the Pussycat" is *not* a haunted dirge)—and the evergreen "Three Little Songs" *from* the time of *Le Sacre* were eccentrically slow. The baritone Richard Jackson sported plausible Russian and a newly enriched timbre; Patricia Rozario was charming in the wordless "Pastorale." Linda Hirst sounded provisional and unsettled *in* early *Stravinsky*, much robuster in later, livelier ditties. But the whole affair belonged in some other venue.

Munich-Athens/Soho Poly

Claire Armitstead

Soho Poly launches a short Northern European season with a compulsively watchable play about sexual obsession from Sweden's Lars Norén who, we are told, is regarded in his native land as the greatest dramatist it has produced since *Strindberg. Greatness aside*, the comparison is not an idle one: in *Munich-Athens*, Norén crosses a territory of desire, alienation and contempt that his compatriot staked out a century ago, only with characters steeped in the neurosis of the post-permissive age, who have lost any reference point outside themselves and their own disturbed sexuality.

The setting of the play reflects their isolation: it takes place in a railway carriage which is carrying a couple on holiday from Munich to Athens. For 48 hours Sarah and David are trapped in each other's company with no one but a surly Slavonic guard to break the increasingly vicious circle of recrimination, lust and rejection that traps these incompatible lovers.

It is not a wholly original theme, but Norén's writing, in a translation by G. M. Anderman that is neither quite American nor English, has a crazed truth to it. This is a couple who are unable to talk *in straight lines, whose relation*ship is based on seven years, 600 letters, and an infuriating failure to connect. He calls her *a psychotic slag; she taunts him* with her affairs; the only thing they appear to share is a vodka bottle, and that only grudgingly.

Brian Stirner directs with a filmic intensity against a railway carriage set by Michael Taylor that perfectly captures Norén's oblique mix of fact and fantasy. The carriage itself is realistic down to the regulation green plastic seating that is so ubiquitous in European rolling stock. Beyond it is a suggestion of a corridor in which the guard voyeuristically lurks, intruding now and then to demand tickets and cast a lascivious eye at Sarah to David's growing infuriation.

The guard is a man of few words but much innuendo, played by Glen Murphy with a statuesque, sinister presence that becomes increasingly funny as the journey continues. Lines such as "I sit wherever I want. It's my train" have a comic solidity in the tangle of half-thoughts and semi-sentiments articulated by the lovers, who are superbly played by Deirdra Morris and Jack Galloway.

Morris gives us a direct descendant of Maria Schneider in *Last Tango in Paris:* a beautiful, unstable bohemian topped by a halo of blonde frizz, who moves in a cloud of sex appeal. Galloway, in contrast, creates an intemperate button of a man with a small man's aggression, who spoils for fights he knows he would never win, just as—in the half-lit first scene of the play—he tangles with a prostitute he knows he would never lay. Norén's achievement is to present this inadequacy with an unsparing intimacy that makes voyeurs of us all.

Saleroom/Antony Thorncroft

Chelsea figures unsold

There were some disappointments at Christie's sale yester*day of British ceramics*. Two important lots, one a model from the Chelsea factory of an itinerant carpenter, the other a pair of Chelsea figures of a huntsman with his lady companion, failed to find buyers, being unsold at £3,200 and £7,000 respectively.

The vendor was a nobleman who seems to have got rather greedy at the last moment, since the single figure carried a low estimate of £3,000 and the couple had actually a top estimate of £5,000. It is very unusual for the reserves to be changed so late in the day so that they exceed the top forecast printed in the catalogue.

These apart, the auction was quiet a success, making £144,116 with 14 per cent unsold. A more understanding client was the lady who disposed of a Wrotham slipware tyg by Nicholas Hubble, which bears the very early date of 1656. A tyg is a mug with double-loop handles on both sides. Its age and rarity justified an estimate of £10,000-£15,000, despite the fact that it is not very attractive. In the event the vendor had to be content with the £8,800 paid by the London dealer Jonathan Horne: what a contrast to the nobleman whose last minute change of mind must have infuriated prospective buyers.

An attractive Worcester blue scale tapering hexagonal vase and domed cover of round 1700 was just above its top estimate at £5,500 and Haughton, another London dealer, paid £5,280 for a pair of Staffordshire creamware leopards of around 1820 (almost double the forecast). Worcester is one of the most popular ceramics factories and a baluster mug by Robert Hancock, depicting a parrot pecking at fruit, did well at £3,740.

An attractive English creamware oviform teapot and cover, made perhaps in Leeds around 1765, with a portrait of an unknown gentleman, sold for £3,300, double estimate, and a Staffordshire glazed redware moulded hexagonal teapot and cover of about 1745, of an oriental design, sold for £2,860.

The sale confirmed the view that British ceramics remains a collectors market and, when there are few old pottery pieces on offer, one in which prices are still very reasonable.

Sotheby's produced a record total for a sale in St Moritz over the weekend, making £8,818,370 over three days marketing jewels and other costly knick knacks to wealthy skiers. There was a relatively high 21 per cent unsold.

A Geneva dealer paid the top price of £418,000 for a single stone diamond ring, with the diamond weighing 21.95 carats, and the London dealer Graas acquired a pair of diamond pendant ear rings for £314,600, almost three times the forecast.

The contemporary art sale at Sotheby's New York did well, totalling £772,003, with a very modest 4 per cent bought in—good for this market. Contemporary Japanese artists were much in demand—"Oni (Red Demon)," a calligraphic oil in red and black of 1958 by Kumi Sugai trebling its estimate at £36,321. It was the same story at Christie's contemporary auction where "At the window," a composition in six panels by Shusaku Arakawa, went for £86,842, over four times the forecast.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 20–26

Opera and Ballet

PARIS

L'Elisir d'Amore alternates with Prokofiev's Cinderella produced and choreographed by Rudolf Nureyev who transposes the story into the world of Hollywood with the two ugly sisters wanting to become film actresses while the leading actor pays attention only to the modest girl he turns into a star. Paris Opera (42665022).

WEST GERMANY

Berlin, Deutsche Oper: Die verkaufte Braut features Lucy Peacock, Kaja Borris and Peter Seiffert. Die Macht des Schicksals, a Hans Neuenfels *production, has* Julia Varady, George Fortune and Giorgio Merighi. Die lustigen Weiber von Windsor rounds off the week.

Hamburg, *Staatsoper:* Walter Raffeiner is repeating his much praised performance in the title role in Belsazar. La Traviata, sung in Italian, has fine interpretations by Eugenia Moldeveanu, Giorgio Zacanaro and Peter Haage. Hans-Jürgen von Bose's Die Leiden des jungen Werthers will have its premiere this week. In the main parts are François Le Roux, Hildegard Hartwig and Albert Dohmen. Also offered Zar und Zimmermann.

Frankfurt, Opera: La Bohéme, conducted by Guiseppe Patané, has Giacomo Aragall as Rudolfo. Falstaff is steered to triumph by Louis *Quilico in the title role. Don Giovan*ni brings Helena Doese, Norma Sharp and Alejandro Ramirez together. Le Nozze die Figaro has Tom Fox in the title role, with Anny Schlemm and Wolfgang Schöne.

Stuttgart, Württembergisches Staatstheater: Cav and Pag takes the leads Waltraut Meier, Julia Conwell and Carlo Cossutta. The week also features Madame Butterfly and Don Giovanni.

BRUSSELS

Cirque Royal National Opera with Macbeth conducted by Michael Schonwandt with Sylvia Sass and Franz Grundheber (218 2015).

ITALY

Rome: Teatro *Brancaccio: Teatro* dell'Opera ballet company in two works by Balanchine, Allegro Brillante and Tchaikovsky Pas des Deux and two by the *former* director of the Los Angeles Ballet, Fantasies and Dvorzak Serenade. (461755).

Rome: Teatro la Fenice: A co-production with Scottish Opera of Weber's Oberon, directed by Graham Vick with scenery by Russell Craig. The cast includes Dennis Bailey. Geoffrey Bolton, Janice Cairns and Beverly Mills. (710161).

Rome: Teatro dell'Opera: L'Italiana in Algeri with Colombian mezzo soprano. Martha Senn in the role of Isabella. Also in the cast are Ruggero Raimondi and Domenico Trimarchi. Jean-Pierre Ponnelle directs, and the opera is conducted by the young Alessandro Siciliani. Giuseppe Patane conducts Macbeth, with Renato Bruson in the title role, and Shirley Verrett as *Lady Macbeth in a new* production by Giorgio Pressburger with scenery and costumes by Maurizio Balo. (461755).

Turin: Teatro Regio: Aida directed by Gianfranco de Bosio and conducted by Nello Santi with Fiorenza Cossotto, Maria Chiara and Veriano Luchetti. (548000).

Bologna: Teatro Comunale: Luca Ronconi directs Strauss's Capriccio, translated into Italian by Fedele d'Amico. Raina Kabaivanska leads a cast which includes Adelina Scarabelli, William Matteuzzi and Pietro Ballo, conducted by Ralf Weikert. (529999).

Genoa: Teatro *Margherita:* Alceste by *Gluck* directed by Virginio Puecher and conducted by Daniel Oren, with scenery and costumes by the sculptor Arnaldo Pomodoro. Katia Ric*ciarelli sings the title role, and the* cast includes Maurizio Frusoni, Luca Canonici and Alessandro Corbelli. (589329).

Trieste: Teatro Comunale Giuseppe Verdi: Puccini's Le Villi and Gianni Schicchi, conducted by Tiziano Severini and directed by Filippo Crivelli. (631948).

SPAIN

Barcelona, Adriana Lecouvreur with Mirella Freni, Fiorenza Cossotto, Ermanno *Mauro*, Enric Serra and Piero di Palma. Orchestra conducted by Roberto Abbado. Gran Teatre del Liceu, Sant Pau 1. (3016787) *(Mon* and *Thur).*

VIENNA

Staatsoper; Elektra conducted by Hollreiser with Ludwig, Reppel, Jones, Simonida, Lotte Rysanek, Idomineo conducted by Harnoncourt with Ziegler, McLaughlin, Murphy, Schreier; La Traviata conducted by *Plasson* with Gruberova, Sima, Araiza (51444/2655).

Volksoper Der Opernball; Das Land des Lächelns conducted by Bibl; Die Zauberflöte conducted by Bauer-Theussl; Ein Walzertraum conducted by Schenk (51444/2657).

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with Before Nightfall (Christe/Martinu), Like Orpheus (Van Schayk/Stravinsky/Gluck) and a new ballet by Jan Linkens to music by Martinu (Wed. matinee). Premiere of the Netherlands Opera production of Der Rosenkavalier by Richard Strauss directed by John Cox. Hartmut Hanechen conducting the Rotterdam Philharmonic, with Rachel Yakar, John Tomlinson, Susan Quittmeyer and Derek Hammond Stroud *(Thur).* (255455).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of Boris Godunov conducted by James Conlon in August Everding's production with Stefka Mineva, Martti Talvela, Paul Plishka and Sergei Koptchak. It joins the repertory of Carmen conducted by James Levine in Sir Peter Hall's production with *Agnes Baltsa*, Gabriela Benackova and Samuel Ramey; and Manon conducted by Manuel Rosenthal in Jean-Pierre Pon*nelle's production* with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. Lincoln Center (326 6000).

WASHINGTON

The Mikado (Opera House): The well-received Stratford Ontario produc*tion directed by Brian Macdonald* has already played the Old Vic and New York. Ends Mar 29. Kennedy Center (254 3770).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday February 24 1987

Syria's task in Lebanon

ONE AGAIN, and apparently with the greatest reluctance, Syria has been persuaded to deploy its forces into the dangerous and unrewarding quagmire that is West Beirut. The event, carrying as it does a depressing sense of *deja vu*, is scarcely a cause for celebration. But it may be the best that Lebanon can hope for in its current circumstances, and it should be given qualified approval by the West.

Syria is the only outside power with even the remotest chance of imposing some sort of order on Lebanon's chaotic faction-fighting. Everyone else that has tried has emerged with badly burned fingers—from Israel, with its misconceived 1982 invasion, to the US, with its subsequent, doomed attempt to lend its support to what turned out to be a pathetically fragile central government.

The arrival of Syrian forces will no doubt be welcomed by the civilians who have been intermittently holed up in their homes for weeks, and probably by the few remaining foreigners in the city, who have had to contend with much more volatile threats of late than those posed by a regular army. It may even provide some relief for the Palestinian civilians in the refugee camps, in spite of President Hafez al-Assad's efforts to drive out Palestine Liberation Organisation fighters.

Heavy losses

The questions, now as before, are about whether Syria can or will use its influence in the country to pursue any constructive long-term objective, or whether its forces are merely committed to a short-term holding operation; and whether President Assad is prepared to be genuinely even-handed instead of joining the game of shifting alliances and playing off one faction against another. However shaky the state of Western powers' relations with Damascus and whatever their misgivings about the constitutional basis for the latest intervention, they would do well to bear in mind the benefits that a stronger and more positive Syrian role in Lebanon might bring.

All the evidence suggests that short-term considerations are uppermost in the mind of the Damascus leadership. Syria had been displaying increasing discomfiture at the street-fighting in Beirut — especially in the last week, when Druze, Communists and Sunni Moslem fighters ganged up to inflict heavy losses on the Shi'a Amal militia which is Mr Assad's main Lebanese ally. It eventually took an urgent appeal from leading Lebanese Moslem politicians, including Mr Rashid Karami, the Prime Minister, to drag Syrian forces into the fray.

There is no denying, either, that Syria's move takes it into dubious constitutional waters; it has already been roundly condemned by Mr Amin Gemayel, the Lebanese president, and is being watched closely by Israel (although Jerusalem does not seem particularly concerned so long as Syrian troops keep well away from southern Lebanon). The US Government has been murmuring about the need to bolster the central government rather than allow in what it regards as a potentially hostile foreign power.

Central government

The Syrian intervention throws an intriguing light, too, on Mr Assad's friendship with the leaders of Iran, whom he has so far supported in the Gulf war at a high cost in terms of his relations with the backers of Iraq in the rest of the Arab world. Iran's influence in Lebanon has been growing over the last couple of years—much of the time to the detriment of Damascus and of Lebanon's political equilibrum and to the disadvantage of the West.

This is why the latest move to bring order out of chaos should not be dismissed in Washington or European capitals.

To talk in the present circumstances of a strong central government in Beirut is to whistle in the wind: the absence of a workable constitutional framework for Lebanon, and the fact that no one faction is clearly in control, are the country's principal problems. The breakdown of any semblance of order has left the door wide open for developments that are more radical and more dangerous to peace—such as the return in force of PLO guerrillas last year, and the rise of Iranian-inspired Islamic fundamentalism. Used responsibly and tactfully, Syrian forces could provide a helpful counterweight to the Iranian influence which has been so damaging to Western interests in recent months.

Shackles on the bank manager

POLARISATION is an ugly and obscure word—and the unlikely cause of considerable irritation, not to say anger, in Britain's banking parlours at present. It is a concept devised by the Securities and Investments Board, the UK's investor protection agency, and it means that anyone advising on or selling life assurance or unit trusts must act either as a company representative — confined to selling that company's products —or as an independent intermediary. In the latter case, he or she must act solely in the customer's interests, and not attempt to push the products of the company.

This proposal, if accepted by the Trade and Industry Secretary as one of the SIB's rules, would have tiresome consequences for the banks and building societies. They argue that the traditional role of the branch manager is to advise customers on all their financial affairs, and they want to be free to sell what they like how they like through their network. They are lobbying hard to throw out the proposed rule, which is due to be debated in the House of Lords today. The SIB, for its part, is digging in its heels.

Rivals' wares

The argument in favour of polarisation is that the customer needs to be absolutely sure about the status of the salesman who is hawking these products, and who is being paid on a commission basis. Full disclosure of the terms and conditions of a life assurance contract is not enough: no two products are exactly alike, and it may take years to discover whether the investment advice was good or bad.

The SIB believes there is an ambiguity in the banks presenting themselves as an objective source of financial advice, while at the same time looking first to their own product range to satisfy their customers' needs. Managers should be free to talk in general terms about the merits of one form of investment compared with another. But when it comes to specifics, clear rules are required. If banks want to sell their own products, they should do so overtly and should not confuse the customer by attempting to offer impartial advice or by selling their rivals' wares. If, on the other hand, they wish to act as an independent intermediary, they should be able to offer their own products only in exceptional circumstances.

The banks have several objections to this proposal. They say it is wrong for their branch managers to be treated in the same way as a door-to-door salesman: their branches wish to build a continuing relationship with their customers and so will take great care not to harm their interests. Polarisation may be all very well in London, where there are dozens of advisers to turn to, but it will be a nonsense for customers in Lower Wallop on the Marsh, who have to rely on their bank manager. The rule would be bureaucratic and anti-competitive, and confusion would be its only result.

Violent reaction

It is easy to feel a twinge of sympathy for this concern, and a clear choice between the two opposed arguments is difficult. However, the basic principle that an investor should be clear about whether a salesman is acting for him or for someone else does make sense and it was strongly supported during the passage of the financial services legislation through the House of Commons. Polarisation has a central place in the new rules covering the sale of life products, along with restrictions on the special deals which can be offered by companies to intermediaries, and with improved levels of disclosure about such matters as surrender values.

Why not put a ring fence round the banks and building societies, and allow them to play by their own rules? Such an idea would provoke a violent reaction from the life offices and insurance brokers, which have accepted the principle of polarisation. If a bank-owned intermediary were free to offer its own products, the insurance companies would want to set up similar agency networks of their own. The SIB, at any rate, is convinced that the concept of polarisation is indivisible.

In a rational world, independent agents would be rewarded on the basis of a fee from the customer for their services rather than a commission from the vendor. In the meantime, the SIB's arguments should win the day.

ECONOMIC CO-OPERATION AFTER PARIS

Smiles are not enough

By Michael Prowse

IT HAS often been remarked that the outlook for world economic co-operation depends mainly on the electoral cycle in the US.

Incoming administrations tend to focus almost exclusively on domestic policy priorities; decisions are taken almost regardless of their global implications.

Towards the end of an administration's life, however, the delayed effects of earlier benign neglect become apparent; and international co-operation is sought vigorously to solve internal US problems.

Recent events fit this pattern. President Reagan was determined to rebuild US defences and cut taxes regardless of the international consequences of borrowing when other leading countries were reducing budget deficits. The soaring dollar and yawning trade deficit, however, eventually brought the Americans to the negotiating table: first at the Plaza Hotel in New York in autumn 1985, and most recently at last weekend's Paris talks.

Previous administrations have had similar experiences. President Nixon was not initially too worried about the international consequences of borrowing to finance the Vietnam War. But US deficits speeded up the collapse of the Bretton Woods system of fixed exchange rates and by August 1971 Nixon was forced to sever the link between gold and the dollar. The key question today is whether anything much has changed.

It would be premature to conclude from the good humour in Paris that US attitudes towards co-operation (on those of West Germany and Japan have been changed fundamentally.

The real test will come during the term of President Reagan's successor: if and when the present trade problems are resolved, will the US remain committed to economic co-operation or will the dreary cycle be repeated once more?

The answer depends perhaps on how well the ground for future co-operation is being laid today. The harmony at the Paris talks may seem to augur well but the agreement reached me less substantive than it appeared.

Two things were required of Paris: concrete short-term measures to boost growth outside the US in order to reduce external imbalances; and progress in developing permanent mechanisms to facilitate co-operation. The achievement was modest on both fronts.

Taking the communique at face value, it i shard to see that world growth will be increased significantly. The US has committed itself to heavy fiscal retrenchment; but there is no sign whatever that other countries are willing to loosen fiscal policy sufficiently to offset the US contraction.

Many economists, of course, argue that while faster growth is desirable as a means of boosting employment, it is largely irrelevant from the point of view of the US trade deficit. For example, Professor Martin Feldstein, the president's former chief economic adviser, says that a doubling of real growth rates outside the US would reduce the $170bn trade deficit only by a paltry $20bn.

However, those economists who do not believe the US can be bailed out by faster growth will not be impressed by the supposed *piece de resistance* of the Paris meeting: the agreement that the present parities of the dollar, D-Mark and yen are "broadly consistent with economic fundamentals."

Many economists think the dollar must fall much further if the deterioration of the US external account is to be checked: Prof Feldstein argues that if it stays at its present level, the US trade deficit plus interest on its debt will require an annual capital inflow of $150bn within less than five years. He thinks that a 20 per cent depreciation of the dollar against the yen and D-Mark is still required.

The view that the dollar has fallen far enough is based on measures of purchasing power parity exchange rates. The basis of such calculations is the "law of one price"—the idea that the price of an internationally traded good should be the same everywhere provided it is measured in a common currency. The dollar (see table) *has indeed fallen below its* equilibrium rate against the D-mark and yen according to this measure. Does this mean it has fallen far enough?

No, say economists at Goldman Sachs, the US investment bank. They point out that calculations of purchasing power parity assume that exchange rates are determined by developments in goods markets alone. In reality, they are determined jointly in the markets for goods and financial assets. On the basis of the purcasing power parity rates in the table, there would be nothing to prevent the US's external debt rising to well over 16 per cent of GNP within a decade.

On the assumption that such a rapid debt build up would not be acceptable to the US, Goldman Sachs calculates "sustainable equilibrium exchange rates" — in other words rates consistent with financial market equilibrium. These turn out to be considerably lower than the purchasing power parity raes. If this logic is correct, the Paris agreement to stabilise the dollar may turn out to have been premature.

What about the other part of the Paris agenda: the creation of permanent mechanisms to facilitate economic co-operation? Perhaps predictably, the finance ministers opted to "refine" further the surveillance arrangements agreed at the Tokyo summit last year. This centres on the monitoring of a range of economic performance indicators for each of the main industrial countries.

The idea is that officials check regularly to see whether the evolution of variables such as growth, inflation, current accounts and budget deficits in the various economies is consistent with mutually agreed medium-term objectives.

The term "indicators" is conveniently vague. The Paris communique talks of "objectives and projections". But there is a world of difference between a forecast or projection and a firm target. A missed target implies a policy correction; an inaccurate forecast can be put down to experience.

The three finance ministers in unaccustomed harmony: top, Mr James Baker (US); left, Mr Kiichi Miyazawa (Japan); right, Mr Gerhard Stoltenberg (West Germany)

Critics doubt whether the indicators approach is even a coherent way to promote economic co-operation. Mr John Williamson, of the Institute for International Economics in Washington, worries that the list of indicators is so long: "only by improbably good forecasting," he warns, "or by incredibly good luck will the planned policies embodied in some of the forecasts result in the planned outcomes expressed in others."

The danger is clear: at any given time, some indicators will suggest that policy is too tight while others will suggest it is too loose. Conflicting signals would be a godsend to policymakers who would be able to pick and choose which to obey. If economic co-operation is to amount to anything, say the critics, countries have to be tied down more firmly.

In Mr Williamson's view, the best way to achieve effective co-operation is through a system of explicit target zones for the main currencies. Currencies would be allowed to fluctuate within, say, 10 per cent of a mutually agreed "fundamental equilibrium exchange rate." The zones would be regularly adjusted to reflect differential inflation rates and changes in productivity performance in the tradable goods sector.

The hope is that if countries were publicly committed to specific target zones, they would be obliged to take the tough domestic decisions necessary to meet international obligations.

The weakness of the floating rate system is that it creates the illusion that countries have no international economic obligations. Floating rates were widely expected to "insulate" countries from the policies of their neighbours and allow them to pursue their own objectives undisturbed. Target zones, by contrast, would make *international interdependence* crystal clear.

The Dollar may still be overvalued

	Sustainable Equilibrium Exchange Rates (SEERs)	Purchasing Power Parity Rates (PPPRs)	London Market Rates 20-2-87
DM/$	[illegible]	2.50	1.828
Yen/$	[illegible]	203	153.6
US $/£	[illegible]	1.20	1.529
DM/£	2.74	2.33	2.795
Yen/£	234	289	234.6

Source: Goldman Sachs

PPPRs are based on movements in relative prices in goods markets. SEERs also take into account financial market equilibrium.

If currency agreements had the same force as other pacts between sovereign states, they might exert real discipline on politicians. An incoming US President, for example, could be told firmly by officials that his plan to halve income tax was absolutely splendid but regrettably could not be implemented because it would violate US foreign treaties.

Target zones have, however, been attacked by those who believe they put the cart before the horse. Exchange rates, runs the argument, are merely the by-product of much more fundamental economic decisions—for example, those involving saving, investment and public finances. It is pointless for Japan and the US to agree on a shiny new yen/dollar target zone, say the critics, if they are not first prepared to save less and save more respectively. And if they do alter their saving behaviour, currency market disorders will be damped down without the imposition of an artificial zone.

Such criticisms rather miss the point. Exchange rate targets are not supposed to be a substitute for other policies; they are supposed to provide a framework in which countries can pursue domestic objectives without comprising the goals of their neighbours. The relationship between target zones and the compatibility of national economic policies is explained in a recent unpublished paper by Professor James Meade, the Nobel laureate.

Professor Meade assumes that countries have two objectives: to control inflation by constraining growth of money GDP; and, in the interests of real growth, to influence the split of national income between investment and saving on the one hand and current consumption on the other. In a world of globally mobile capital, what rules must countries follow if *the pursuit of these national* goals is not to result in international disharmony?

It turns out that these national goals will be mutually consistent provided countries react in the same ways to disturbances. In the Meade model, the target exchange rate is determined by the ratio of investment to GNP; if this ratio falls too low, the target exchange rate is lowered. Divergences of the actual exchange rate from the target level are moderated by raising or lowering interest rates. Money GDP in turn is kept on track by adjusting fiscal policy —by raising or lowering taxes.

The importance of the Meade paper is two-fold. On the one hand, he shows that provided countries use the same economic instruments (interest rates for example) to pursue the same intermediate targets, global harmony is assured even if countries can agree on *nothing else*. Secondly, he shows how a target zone aproach is consistent with economic policies designed to influence fundamental variables such as saving *and investment: in his model, after all, the exchange rate is* chosen specifically to moderate the capital intensity of the economy.

Few economists now doubt that the floating rate exchange rate system can be improved on. As Mr Fred Bergsten of the Institute for International Economics has noted, the illusion of national autonomy helped to allow a misalignment of the dollar twice as great as that which brought down Bretton Woods. The only question, following the Paris talks, is whether finance ministers are prepared to consider sufficiently radical reforms and ones that will impose lasting restraints on national governments.

Men and Matters

Adventures of the famous five

Behind the high drama of Italy's decision to boycott the Paris meeting on exchange rates there was a great deal more high farce.

And Italy's Finance Minister, Giovanni Goria, was not the only one to find himself excluded from the top table. US assistant Treasury Secretary, David Mulford, had to spend the bulk of Saturday's key meeting of the Group of Five hanging around in the corridors of the French finance ministry.

The farce began on Saturday afternoon when finance ministers and central bankers of the Group of Five got down to the business of hammering out their communique. To avoid a clash with Italy, they at first insisted they were not meeting as a group at all. The charade looked pretty thin when their simultaneous arrival at the ministry was witnessed by at least a half-dozen television crews.

Then they insisted that they were there simply for a series of bilateral talks. That story collapsed when word got out that each delegation had been allocated an office at the ministry to base the officials drafting the communique.

Desperate to keep up the pretence that nothing would be agreed before the Italians and Canadians were brought in, the five ministers then each made a solemn promise that they would not brief reporters until after Sunday's Group of Seven talks. That lasted about two hours until Japan's Finance Minister, Kiichi Miyazawa, briefed Japanese reporters on the broad outlines of the accord. The newswire stories that immediately followed probably persuaded Goria that it was hopeless to pretend that he would have any voice.

Meanwhile, a renewed attempt by the US to increase the size of its delegation in the G-5 talks from three to four was rebuffed by its partners. James Baker, his deputy, Richard Darman, and Paul Volcker, the Fed chairman, were allowed in, but Mulford was barred for the second time in a year. (In 1986, Nigel Lawson kept him out of similar talks at No 11 Downing Street.) The ministers are not completely heartless though. Despite his reputation in Europe as the Treasury Secretary's hatchet man, Mulford was allowed to join the rest of the group for dinner.

So much for the smooth workings of international financial diplomacy.

Legal team

An item in the Law Society's Gazette sheds new light on the reasons for the recent merger of two large City firms of solicitors, Clifford-Turner and Coward Chance.

A report on the London Legal football league shows that Clifford-Turner, in division one, had won only two of its matches up to the end of last year. Coward Chance, on the other hand, (as solicitors say), was lying second in division two, with six wins in seven games.

In an inter-divisional match, moreover, Coward Chance's "central striker, Delton Anderson" scored a hat-trick in the second division's 5—1 win.

The advantages of the merger thus becomes plain: Clifford-Turner gains a useful striker while Coward Chance gets first division status.

Grounded

A potentially embarrassing situation has been defused at British Coal which confirmed yesterday that it has refused a £1m job creation grant to Highland Express, the new Scottish airline, which is expected to name Sir Ian MacGregor as its first chairman.

The money would have come

"I've got a brilliant idea for another new paper — each edition supports a different political party"

from British Coal Enterprise, the scheme set up during the miners' strike by MacGregor to ease the social impact of pit closures. The scheme has since supported a bewildering range of enterprises from snake breeding to fibreglass boats.

There is no suggestion that Highland Express wanted the money to help redeploy MacGregor following his departure from the chairmanship of the National Coal Board—especially as the application pre-dated his official involvement with the airline.

However, whereas most of the grant applications are dealt with by the officials of British Coal's job creation subsidiary, I understand that this one was rejected at British Coal's top level, and with the full knowledge of Sir Robert Haslam, MacGregor's successor.

The formal reason is that the airline is based too far away from the areas of Scottish colliery closures.

Lost for words

Hardly a day goes by without the announcement of another investigation by the Department of Trade. But for those City types awaiting the knock on the door, the tale of Sumrie Clothes should come as welcome relief.

At the height of the political row over Johnson Matthey Bankers in late 1985, the DoT announced that it was appointing high-powered outside inspectors, Sir Michael Kerry QC and accountant Keith Carmichael, to examine the ownership of the chain of offshore companies lurking behind the Leeds textile company.

In May last year the key witness presented a mound of evidence to the two inspectors —nearly all of it irreplaceable original documents. Over the next few months the inspectors interviewed all those involved, including Sumrie chairman, Michael Hepker.

So why, 18 months later, have they not reported anything? Is it because—as Labour MP, Mr Brian Sedgemore suggests in a Commons motion—the two inspectors have lost all the documents handed over to them by the witness?

Tunnel vision

I know that the Channel tunnel project is a bit worried about funds—but this is ridiculous.

A four-star hotel at Hythe, Kent, is offering weekend visitors not only a chance to see the proposed tunnel sites but shovels to do their own bit towards the project's success.

Those who take up the offer will be presented with a commemorative certificate together with an invitation to return to the hotel in 1993 (at 1987 prices) to see the finished tunnel.

Observer

ITALIAN ENERGY POLICY

Stalling on the nuclear threshold

By John Wyles in Rome

THE BRITISH have had their Sizewell inquiry, the West Germans their election campaign and most other European countries their heated debates about the future of nuclear energy in the aftermath of Chernobyl.

However, only Italy has found it necessary to bring together the politician and the physicist, the nuclear plant builder and the oil trader, the economist and the environmental expert at a national energy conference beginning today.

The conference is to be a Socratic quest for the "truth," supposedly to enable the Government to decide whether nuclear plants should satisfy any part of this divided nation's energy requirement. In a country whose 81 per cent dependence on imported energy far outstrips that of any of its European industrial rivals, the question is an important one.

The debate turns on whether Italy — unlike its neighbours—should enter rather than quit the nuclear energy business.

Despite a succession of grandiose schemes, the last 20 years have yielded only three operational nuclear power stations, furnishing little more than 1 per cent of the nation's energy requirement. Year after year, plans remained anchored to the drawing board — sometimes because of the superior lobbying strength of oil and gas interests, sometimes because of the extraordinary powers of local politicians to frustrate national policies, but mostly because governments have lacked the will and capacity to carry them through.

If two oil price shocks and an energy import bill approaching 5 per cent of gross domestic product (GDP) in 1985 could not achieve substantial diversification into nuclear energy, what are the prospects when nearly L20,000bn (£10bn) has been wiped off the trade bill through lower oil prices and when concern about environmental issues has never been higher?

Today's energy conference was conceived last May as a means of buying time on the issue for five coalition parties who knew that their internal cohesion would be no safer than the Chernobyl reactor when it came to deciding whether to adjust Italian energy policy. The parties hoped the conference would generate a consensus on energy.

Unfortunately, such hopes are being betrayed by a darkening political background. In a week when Mr Bettino Craxi, the Socialist Prime Minister, has raised the prospect of a coalition breakdown by suggesting he may refuse to hand over to a Christian Democrat premier in April as planned, hopes that the conference can paper over divisions within the parties may prove over-optimistic.

If this leads to elections this summer instead of next, then final government decisions about energy policy will be long delayed.

If the current parliament staggers on, however, Italians will be called on to vote on nuclear referenda in June which could place even greater obstacles in the path of power station construction, and keep the nuclear option stalled.

Since Italy's nuclear power stations barely exist there is no need to invent them, opponents say

Moreover, the conference's ability to build consensus has been weakened by the withdrawal of environmental groups which have protested that it has been set up to yield a pro-nuclear conclusion.

Further bruising has been inflicted by the vice secretary of the Socialist party, Mr Claudio Martelli, who said at the weekend: "It is a failure before it has begun." He was objecting to a report from one of the conference's three preparatory committees, chaired by Professor Paulo Baffi, former Central Bank governor. It clearly favours retaining the nuclear element.

The highly articulate Mr Martelli acts as Mr Craxi's "bovver boy" when the Socialist leader wishes to retain a prime ministerial aloofness from party political knife play. It was Mr Martelli who last September opened up a chasm on energy policy between the Socialists and the dominant coalition party, the Christian Democrats. Having watched the West German Social Democratic Party vote to phase out nuclear energy, he declared that Italy should take a similar line.

The political undercurrents in Italy are not dissimilar from those to the north. To the left is an increasingly active environmental movement, although much less politically developed than in West Germany. While still divided as to whether they should put up candidates at the next elections, the Italian "greens" could harvest support from the popular alarm created by Chernobyl.

Mr Martelli was moving to shut down this possibility before the much larger Communist Party did so. Unable to be so fleet-footed, that party has been narrowly tied to favouring nuclear energy since its congress last April.

The Christian Democrats have been trimming their hitherto pro-nuclear position on the pretext of not wishing to prejudge the conference.

"We have decided that it is not in the national interest to abandon nuclear energy," says Mr Bruno Orsini, the party's energy spokesman.

For their part the Socialists have considerably modified Mr Martelli's September position—but without publicising the fact. According to Senator Roberto Cassola, spokesman on industrial policy, the party is ready to make "a political choice with technical updating."

This means it would close the 24-year-old Latina plant near Rome (Magnox design 153 Mw) and a small plant at Trino Vercellese (pressurised water reactor 247 Mw). The Socialists would finish building the Montalto di Castro unit (boiling water reactor design, 2,000 Mw capacity). They would also retain the Caorso station in Piedmont (boiling water, 873 Mw), which was opened in 1981, but halt site preparation work for a second 2,000 Mw unit at Trino, where the reactor would be of Italian design.

With two stations operating, the party would then sit tight for three years in the hope, says Senator Cassola, that efforts in Sweden and elsewhere would deliver the so-called inherently safe nuclear reactor.

According to most experts, however, the Italian Socialists would have to wait much longer than three years—perhaps even 10 or 15 years—before a new generation of reactors is developed and proved.

Italian opponents of nuclear energy have not added much to the familiar post-Chernobyl case for relying on other sources. They say that since the nation's power stations barely exist, there is no need to invent them.

The anti-nuclear crusade believes it is riding a powerful wave of public opinion. A newspaper poll published last month revealed that 72.5 per cent would vote to abandon nuclear energy and 70 per cent doubted it could ever be made safe.

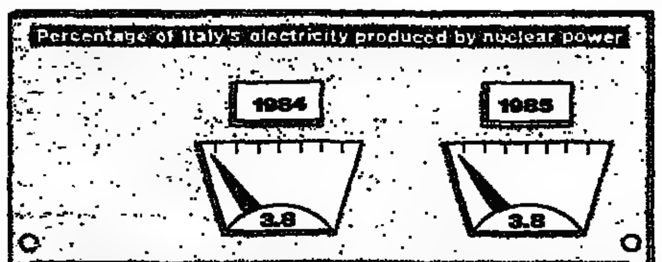
However, Professor Umberto Colombo, president of ENEA, the Italian energy research agency, counters with: "They should ask whether people will accept an 18 degrees C limit on their household temperatures and a 55 mph speed limit."

Professor Baffi's committee has prepared forecasts for the conference on the Italian electricity supply balance up to the year 2000. These will show that the nation will need a hitherto undisplayed capacity for energy saving if it is to reduce its oil consumption and get by without both nuclear stations and greatly increasing its coal burn.

The nightmare haunting Italian energy planners is a rejection of the nuclear option and a failure to build capacity which uses alternative fuels.

The most useful service the conference could perform might, therefore, be some clearer thinking on the energy options and proposals for institutional reforms which would speed up decision-making and execution. Without a change in the status quo, Italy will have to fall back on imports from France which are already more than 11 per cent of electricity consumption. Last week Professor Colombo identified divine providence as one of Italy's national treasures. Perhaps France is to be the terrestrial agency.

Percentage of Italy's electricity produced by nuclear power



Primary sources of final energy consumption

MILLION TONNES OIL EQUIVALENT	1973	%	1985	%
Solid Fuels	10.2	7.3	15.8	10.9
Oil	104.5	75.1	85.3	58.6
Natural Gas	14.3	10.3	27.3	18.8
Hydro/Geothermal	9.2	6.6	10.5	7.1
Nuclear	0.7	0.5	1.5	1.0
Net Electricity imports	0.2	0.2	5.2	3.6
TOTAL	139.1		145.6	

Source: ENTE NAZIONALE PER L'ENERGIA ELETTRICA

FUTURE OF THE BBC

In pursuit of excellence or the ratings

A COUPLE of months ago, Alasdair Milne director general of the BBC, unveiled a bust of Richard Dimbleby in the foyer of Television Centre.

It is possible that David Dimbleby, a son of the legendary broadcaster, had even then been sounded out to succeed Mr Milne, who was forced to resign after meeting the BBC's governors last month.

On Thursday Mr Dimbleby, 48, freelance television presenter and newspaper publisher, is almost certain to have a prominent place in the short-list of candidates chosen to argue their case before the Board of Governors.

It will be the climax of a peculiarly British ritual. The choice, a matter of enormous public interest, is being made in an atmosphere of almost total secrecy. It is not known formally what sort of person the governors are looking for, or what the task is seen to be—the advertisement said merely that applicants should be "suitably qualified." Nor is it known exactly how many applied for a job that combines the roles of chief executive and editor-in-chief of the BBC (although more than 300 did). Not a word has been said publicly about who applied, although names have been seeping out for weeks.

There appear to be four names at the top of the list: two outsiders and two senior BBC managers. The outsiders are David Dimbleby and Jeremy Isaacs, chief executive of Channel 4; the BBC contenders are Mr Michael Checkland, deputy Director General and Mr Brian Wenham, managing director of BBC Radio. Nonetheless, a dark horse could still emerge.

Much more important than the person is the job and the future of an organisation that has traditionally set the tone for the whole of British broadcasting.

Two-short term problems need to be tackled almost as early as next Monday. The first is the serious collapse of morale at the corporation following the departure of Mr Milne and, previously, of Aubrey Singer, managing director of BBC Television and Richard Francis, managing director of BBC radio. A series of disputes and embarrassments centring on the Real Lives programme on Northern Ireland, the libelling of two Tory MPs' and the frontal assault on the quality of the corporation's journalism by Mr Norman Tebbit, the Conservative Party chairman, have left corporation spirits flagging.

The second short-term problem is how, if Mrs Thatcher goes to the polls this year, is the BBC going to get through a general election campaign with its reputation for impartiality intact.

Underlying the immediate crises there is the larger question of what the BBC's role should be. Can it sustain its claim to be the universal broadcaster, battling toe-to-toe against commercial television — Blankety Blank as well as Panorama? Is it time to narrow the focus and concentrate more on what, according to the traditional view, "the BBC does well" current affairs and documentaries and leave light entertainment to others?

According to a recent article in the Royal Television Society's journal Television, funding for current affairs programmes has declined dramatically over the past decade—while spending on drama increased by 632 per cent, current affairs spending rose by only 236 per cent. Current affairs executives asking for an extra £2m a year to rectify this situation, fear that lack of resources is forcing BBC current affairs back into the studio and that important international stories are not being covered properly.

Thursday's choice of Director General will be the climax of a peculiarly British ritual

The choice of director general on Thursday could revolve around the governors' attitude to such questions of role.

The corporation also has to decide on financial priorities. With about £1bn in licence fees, it would be wrong to overstress the sense of financial crisis. Savings can be made and money can be switched within the system. Nevertheless the Government's decision to index the licence fee to the retail price index—usually considerably lower than the rise in costs of the labour-intensive broadcasting industry—will impose an ever-greater squeeze.

Competition for audiences will intensify. There may only be 188,000 cable television subscribers in the UK at the moment, but already they are spending 28 per cent of their viewing time watching cable channels.

A Luxembourg-based company, SES, plans to launch a 16-channel television satellite, Astra, next year. The channels will be available on cable networks but also, it is claimed, on individual domestic dish aerials.

The four main candidates to succeed Mr Milne will have to have convincing solutions to offer to all these problems.

David Dimbleby may have staked his claim with a speech last October expressing fears that the battle for ratings and the proper coverage of news and current affairs were incompatible. But he has to overcome widespread internal opposition and lack of experience at running anything as large as the BBC.

Jeremy Isaacs has a distinguished record as a programme maker and a success story at Channel 4. He has, in the past, appealed for a BBC which "risks the ratings and challenges the audience" but the left-of-centre broadcaster may be seen as too politically risky.

Michael Checkland, an accountant, rather than a programme-maker has underlined his claim by combining a warning to the Government to keep its hands off the BBC with reassurances that the corporation could cope financially.

Brian Wenham, like Isaacs a former editor of Panorama is a polished BBC mandarin who led the successful defence of the licence fee in evidence to the Peacock Committee

If the governors are divided and feel there is a short-term crisis of morale and political grip that urgently needs tackling, the call could go out to a man who did not apply and who at 61 is a year over the normal BBC retirement age. Paul Fox, managing director of Yorkshire Television, also a former editor of Panorama and widely respected in the broadcasting industry, is clearly prepared to argue his case on Thursday if asked. One BBC executive was heard to say last week: "Paul Fox is getting younger every day."

Raymond Snoddy

Letters to the Editor

Lower interest rates

From the Joint Treasurer, Liberal Party

Sir,—Is there anything at all that will persuade the Government to allow interest rates to fall? Not by just one per cent, which will no doubt happen with the Budget, but by three per cent to bring the bank base rate down to eight per cent. Can there indeed be a better time than now with the public sector borrowing requirement expected to fall by £3bn below forecast and with inflation still at a low level, although rising. A significant fall in interest rates would produce an equivalent fall in mortgage interest rates which in its turn would reverse the rise in inflation. If the present conditions are not right for a fall in interest rates, when, indeed, are they ever likely to occur?

The US, with an immense balance of payments deficit, but lower unemployment, has a seven and a half per cent prime rate and mortgage rates below nine per cent. What justification can there be to retain a differential of three and a half per cent over rates in the US?

It is claimed that UK rates can only fall in line with similar reductions in the German and Japanese rates. Yet since they are already down to three per cent, and with negative interest rates being somewhat unlikely, are we obliged to retain for ever more a differential rate of eight per cent over these countries with whom we compete?

Anthony Jacobs.
9 Nottingham Terrace, NW1.

A national curriculum

From Mr G. Radice MP

Sir,—It is good news that Joe Rogaly has returned to journalism and that he should be writing about education (February 11 and 12). But, as an experienced journalist, he really should not have swallowed Mr Baker's claim that the Labour Party is merely following the Government's lead in supporting the idea of a national curriculum.

The truth, as the Financial Times pointed out on February 9, is that the Labour Party has been making the case for an agreed national core curriculum for sime time.

Jim Callaghan, when Prime Minister, first made the case for it in his famous Ruskin speech in 1976. And the Party's "Charter for pupils and parents," published in 1985, argued for a core curriculum in secondary schools. In a Fabian Society pamphlet "Equality and quality," published last year, I discussed some of the elements that should make up the core curriculum and argued that a new National Education Council, with membership drawn from all the education partners, should be the forum for reaching agreement on the core curriculum.

I hope that when Joe Rogaly next writes on education he checks his fact first!

Giles Radice
(Labour Party Education Spokesman),
House of Commons SW1.

Private sector investment

From Mr W. Orchard

Sir,—Eurotunnel and Dartford Bridge are projects where the returns are sufficiently good to attract private sector investment and as a result Mrs Thatcher decides not to provide any public sector funding. Government also refuses to consider grants to encourage industry to invest in energy efficiency and electricity generation projects which offer six-year paybacks on capital where industry wants three-year paybacks.

The test for Mrs Thatcher is whether she applies her sound logic to the Central Electricity Generating Board's request for public money to develop further power stations with pay backs of 16 to 20 years, which must be very doubtful private sector projects.

Capital grants of 50 per cent to industry and commerce for combined heat and power plants will give better security of supply and lower cost electricity and will result in a call on PSBR of about £250 per kw of electricity generating capacity installed, compared to between £850 and £1,350 per kw for CEGB options.

Government has directed the CEGB to introduce private sector capital. Joint ventures for windpower, wavepower and city combined heat and power are being developed. There is no real reason why all generation projects should not be joint ventures as CEGB depends on private sector designers for safety and performance of its power stations.

We now have a choice of pressurised water reactor or advance gas cooled reactor and with the fall in coal prices even a 1 in 40 chance of economic coal-fired power stations.

Margaret Thatcher gave a firm no to public money for Eurotunnel. The test of her devotion to market force and private sector efficiency will be whether our next power stations are built as private sector led ventures like Eurotunnel and Dartford Bridge or subsidised with public money.

The competition between the AGR, PWR and the coal lobby and the power engineering industry's need for orders could mean that market forces would provide the best deal for electricity consumers.

W. R. H. Orchard.
3, North View, SW19.

Honest tariff strategy

From the Director, British Leather Confederation.

Sir, — Lombard (February 20) was correct to suggest that honest tariff strategy is due for reconsideration.

So far as the leather producing industry is concerned, the UK is an open market with tariffs ranging from nil to 7 per cent. Developing countries have General System of Preference duty free quotas or ceilings, even when the latter are exhausted we find the European Commission reluctant to re-impose duties. Many overseas countries give subsidies to their leather and/or leather products industries by means of direct or indirect financial incentives to exporters, or they place embargoes on raw material exports even though such action is in contravention of Article XX(i) of the Gatt agreement.

Conversely, UK exporters of leather and/or leather products find much of their world markets obstructed by high import duties. Japan is a case in point. Her revamped tariff quota system for leather in the piece is designed to prevent imports, as were the previous arrangements. The complex deal negotiated by the EEC last year, and heralded by them as a breakthrough, whereby imports of leather within the quotas are tariffed at 20 per cent otherwise at 60 per cent, has proved to be of no benefit to leather producers. The DTI has been unable to obtain a list of quota-holders in Japan but one leading UK tanner who did, in fact, recently secure an order for 14,300m² of leather, later found the business cancelled due to the derisory quota of 62m² allocated to the importer who, understandably, was not prepared to pay 60 per cent duty for the outstanding amount.

Last year the US, frustrated by Japanese intransigence, imposed a 40 per cent duty on imports of most Japanese leathers. This resulted in imports to the US stopping, but Japanese exports to the UK of comparable leathers, and mainly dutiable at 7 per cent rising by 130 per cent.

There is no doubt whatever that the UK leather industry unanimously agrees that it is about time realistic tariffs were revived.

(Dr) R. L. Sykes.
Leather Trade House,
Kings Park Road,
Moulton Park,
Northampton.

Protection for banks

From the Managing Director, IBCA Banking Analysis.

Sir,—John Plender (Lombard February 19) is hard on the Treasury when he complains that the reciprocity measure announced by the government will give banks undue protection. Probably the most important issue currently facing regulators, and the one most difficult to resolve, is how to create a level playing field so that competition can be fair. For example, the Japanese banks have taken substantial market share, both in the US and the UK, by quoting rates with which US and British banks, at least, cannot compete because of the more onerous capital requirements imposed by their regulators.

Creating a level playing field also entails a degree of equality in acquiring banks in competitors' home territory. Currently, Sumitomo Bank has a market capitalisation seventeen times that of Midland and twice that of the "Big Four" British clearing banks combined. Nomura's market capitalisation is around one hundred times that of Mercury International. Surely it would be unnecessarily friendly to allow these institutions to buy British banks while it is impossible for British institutions to take reciprocal action in Japan.

Although the Treasury's action appears fair, however, I am concerned that Mr Ian Stewart, the Economic Secretary to the Treasury, seemed to be implying that, despite the rules to stop unsuitable shareholders building up stakes and the proposed reciprocity provisions, any bank takeover would automatically be referred to the Monopolies Commission. The Banking Bill, as now amended, gives banks ample protection from takeover. Any further explicit or implicit protection is unnecessary and would quite rightly be seen as grossly unfair to companies in other parts of the British economy. British banks operate in a favourable environment and are reporting record levels of profits. If they cannot succeed in these conditions, outsiders should certainly be allowed in to see whether they can do better.

Robin Monro-Davies,
2 Eldon Street EC2.

FINANCIAL TIMES

Tuesday February 24 1987

Nancy Dunne in Washington reports on the shortcomings of the US health care system

Americans count the cost of growing old

MARIE, a short, spry Italian-American in her eighties, is living out her life in the comfort of her longtime family home, but as a pauper. Nothing remains of the substantial assets she accumulated with her late husband Philip. When Marie dies, her house will be sold and the proceeds will go to the nursing home where Philip, a stroke victim, spent his last years.

Death may be the great equaliser, but for many Americans the leveling process begins when they enter nursing homes for full-time care. With the average cost at about $22,000 a year, few of the 1.5m Americans in nursing homes can afford the long-term, often terminal stay. Bit by bit, their assets are sold until the ill are impoverished enough to qualify for Government help under the Medicaid programme for the poor.

"What most people fear, especially older Americans, is that home health care or nursing home bills will eat up their savings, and that they will go broke, flat-out broke," says Senator John Melcher, chairman of the senate special committee on ageing.

America's elderly: facing up to the prospect of an expensive retirement

Many Americans hoped President Reagan would allay those fears with his long-awaited plan for "catastrophic" health insurance which goes as far as covering for terminal illness. But the proposals, made public this month, and opposed by Administration conservatives, fell far short of the comprehensive insurance coverage the lobbyists for the elderly wanted.

The President's scheme, developed by Dr Otis Bowen, secretary of health and human services, calls for an expansion of the present Medicare programme, which pays about 45 per cent of the medical costs of the nation's 28m citizens over 65, and 3m disabled people.

Under the scheme, Medicare beneficiaries would receive an unlimited number of days paid hospital care for a monthly premium of $4.92. The cost of a doctor and basic hospital bills would be met after the first $2,000 a year. The plan does not cover the cost of medicine, or of eye and dental care.

With conservatives complaining that the plan is just another "big government" solution, many in Congress praised it as "an important first step." Senator David Durenberger of Minnesota, a top-ranking Republican on the Senate finance committee, says "it is unconscionable that we have let senior citizens and the disabled impoverish themselves at the very time they are the sickest."

"The most serious criticism that can be offered is that it is far too little," he adds.

The criticism resounded around Capitol Hill, where the elderly, who constitute a powerful lobbying group, have influence far beyond their numbers. Some legislators say that those who need coverage most urgently – those with incomes between $8,000 and $10,000 a year and who do not qualify for Medicaid, cannot even afford to pay the first $2,000 in medical costs.

Others complain that the scheme does not protect the 2.8m people under 65, whose medical expenses are more than $5,000 a year. Nor is there any help for the 35m Americans who have no health insurance at all, or for those whose insurance does not provide good basic protection, let alone catastrophic protection.

However, it is by no means certain that Congress, in its present budgetary straitjacket, can do much more than the President has proposed. In the 21 years since Medicare was enacted, the cost of what has become the country's biggest social welfare programme, have soared from $3.7bn to more than $70bn.

Last year, the cost of medical care rose seven times as fast as the consumer price index in spite of efforts by the Government to restrain spending.

Several options will be considered in Congress, including: requirements that employers provide catastrophic insurance coverage; government subsidies for private insurance; tax incentives for private policies; and changes to expand current Medicaid or Medicare coverage. It is likely that the President's scheme, or something like it, will be approved, while the search for a real answer goes on.

Even among liberals, suggestions of socialised medical care remains an anathema. Meanwhile, health care is costing more, as people live longer and the elderly make up a larger proportion of the population. The number of elderly people doubled between 1950 and 1980, and it is expected to double again by 2030, when those over 65 will comprise more than 21 per cent of the population.

By the year 2040, it is estimated that nearly a third of those over 65 will have living parents. Already, the nursing homes are filled with patients whose visiting children are, themselves, grandparents. The question of who will pay the bills for the growing longevity of the population has barely been tackled.

THE LEX COLUMN

Sensibilities and cents

It is a cliche universally acknowledged that exchange rate agreements made by groups of five, six or seven leading industrial nations have little chance of working for longer than the short term if they go against market sentiment. The success attributed to the Plaza agreement in getting the dollar down might more properly have been credited to foreign exchange dealers, who had already decided that the US currency was overvalued. The failure of later deals to halt the dollar's fall showed the market (as well as Mr James Baker) *clinging to that belief*, long after the Japanese and West Germans had abandoned it.

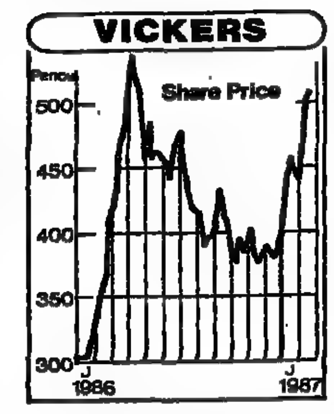
The deal agreed last weekend in Paris has at least passed the test of the first business day. Foreign exchange markets yesterday were remarkably quiet, compared to recent mornings after, and the dollar was as stable as the G7 members could have hoped. There was no rush to buy the dollar, but nor was there the usual market reaction of hitting it to see what response, if any, came from the central banks.

The threat of concerted intervention, and the possibility that this time even the US might join in, was a powerful deterrent. A post-summit atmosphere of co-operation rather than bickering, leaving aside Italy's grievance, probably carries more weight with currency traders than the details of the statement.

The communiqué itself offered little that had not already been said – a Japanese promise to make every effort to obtain Diet approval for the budget is rather charming, while US forecasts of cuts in the fiscal deficit are as credible as the last time they were mouthed. The deal has a chance of working simply because the currency markets are now amenable to a stable dollar, for a while anyway. But thoughts of the still huge trade imbalances meant that few market economists were yesterday changing forecasts of a somewhat lower dollar by the year end – and it is their sentiments which get passed on to the dealers.

News and News

No sooner has Mr Murdoch's citadel at Wapping established that the UK newspaper business can be concerned with making money than an outbreak of circulation warfare shows that other proprietors are equally determined to reassert historical Fleet Street values. The reappearance of Lord Rothermere's Evening News after seven years' absence and seven days' cogitation is in the grandest tradition of tactical management. The money spent putting the Evening News on the stands is likely to divert only the less pertinacious inquirers after Mr Maxwell's new and relatively serious Daily News, but it will certainly confuse the issue: *"News, News and Standard"*, is a street cry to conjure with. Given the weight of Mr Maxwell's investment, however, Lord Rothermere may have to fight harder than this to defend the Standard's monopoly of the London evening market.



Vickers

Vickers has done a fine job over the past few years in weeding out the underperformers in a sprawling portfolio of businesses. But if the grand plan – investment in companies with high market shares in the major economies – is comprehensible, the results can still seem confusing. Last year's acquisitons were of companies involved in tank manufacture, controllable pitch propellers and neo-natal incubators. Vickers' six principal activities, while all sound businesses, have little relation to one another and display no counter-cyclical hedging relationships.

The current fashion for demerger might suggest Vickers as a candidate were it not that the costs of pushing the Rolls-Royce up to the state-of-the-art in motor technology probably demand that the business is sheltered within a larger company.

In producing 1986 profits up 20 per cent at £54m Vickers has underlined the restoration of its image but last year was not a such a great step forward in profitability. Return on sales in the continuing businesses edged up from 8.3 per cent to 8.7 per cent. It Vickers makes £65m pre-tax this year, then the shares are on a multiple of 11. That standard engineering sector rating makes acquisitions for paper a dodgy proposition. But the management does not appear to regard the doubling of the gearing ratio to 33 per cent as the cue for a period of consolidation.

Cambrian

Cambrian & General's decision to write off above the line its entire $20m investment in Ivan Boesky and Co has set an example which others with heftier exposures, like Guinness, may find difficult to follow. Prudence, however, is all that Cambrian can *currently offer its* unfortunate shareholders. The annual report proves how successful insider arbitrage can be but has little to say about when Cambrian's theoretical assets may find a market price through a restored share quote. As nobody will want to take a punt in Cambrian until a cap is placed on the liabilities, the Stock Exchange's reluctance to unfreeze the shares is not yet a nuisance; indeed the shareholders might be better served by an off-market offer. Only those with a strong nerve and some knowledge of the US legal system need apply.

Since it is a judgment on the liabilities that will determine the price, it is ironic that the largest shareholder – the SEC, which took most of Boesky's stake – is presumably in possession of inside information in relation to the evidence. Perhaps it should think of appointing a third party to look after its shares. When the value of that stake is eventually struck it may do *no more than prove* what a hard bargain Ivan Boesky drove.

Brazil's creditor banks meet on debt move

BY ALEXANDER NICOLL AND ROBERT GRAHAM IN LONDON

BRAZIL'S advisory committee of leading creditor banks was meeting in New York last night to discuss their reaction to the country's unilateral suspension of interest payments, announced at the weekend.

Bankers in New York and London took a cautious view of the Brazilian move, though they were conscious that it represented the first formal suspension of interest payments by a major debtor since the developing country debt crisis erupted over four years ago.

Some said, however, that the desire to begin a dialogue rather than to allow the payments halt to escalate into a major confrontation is hampered by uncertainty about precise details of payments halt and about whether Brazil will back it up with convincing economic measures.

Top Brazilian officials are expected to visit Washington and New York later this week and are expected to put Brazil's position to the advisory committee. Bankers expected that there would be contacts at the highest level between US banks and officials in Washington.

So far, US officials have sought to distance themselves from the situation, *saying that Brazil's move did* not threaten the banking system and that there was no immediate need for them to intervene. In the previous weeks, Adminstration and Federal Reserve officials had repeatedly *chided banks for moving too* slowly in negotiations with debtors for new loans and reschedulings.

The advisory committee has already transmitted to all creditor banks a telex from Mr Dilson Funaro, the Finance Minister, which was couched in terms underlining Brazil's desire for negotiation rather than confrontation.

But some bankers remained uncertain yesterday about whether the suspension of payments was indefinite or would be for 90 days as had been expected.

They also said that the deterioration of the Brazilian economy reinforced their view that President Jose Sarney would have to take economic steps which would be backed by the International Monetary Fund. The Government has refused to negotiate an IMF accord.

Although banks were naturally seeking to minimise the consequences of Brazil's action, bank shares fell sharply on Wall Street and in Canada in early bursts of selling yesterday.

Beyond this, however, Brazil's annoucement was not marked by the panic and dislocation in world financial markets which by the panic and dislocation in world financial markets which occurred when the debt crisis first broke with Mexico's cash crunch in 1982

There were no reports of the pressures which then severely eroded the short-term trade credit and interbank lines of Brazilian banks.

Among Latin American debtor countries reaction has continued to be cautious. The exception has been Peru, where President Alan Garcia has claimed Brazil's action as a vindication of his own stance in refusing since July 1985 to pay more than 30 per cent of export earnings in debt service.

Nevertheless there are signs that the Brazilian move is beginning to have wider impact. Venezuela, due to meet with its creditors in New York today, is reported to be seeking greater flexibility from the banks. Mr Manuel Azpura, the Venezuelan Finance Minister, was quoted yesterday as saying: "We hope that the position of the banks will be more constructive and flexible" *in the light of Brazil's move.*

It has now emerged that President Jose Sarney of Brazil informed both his Argentine and Mexican counterparts before announcing last Friday the indefinite suspension *of interest payments on his* country's $104bn foreign debt. Together these countries account for over $250bn of the region's $370bn foreign debt.

Yesterday, Dr Mario Brodersohn, the Argentine Finance Secretary and foreign debt negotiator, arrived in Brasilia for consulations. His visit underlined the degree to which Argentina and Brazil are anxious to keep each other informed.

In a separate move, the Ecuador Government said it would be seeking to postpone interest payments to commercial banks on its foreign debt. A Government spokesman told Reuters newsagency that Ecuador would be proposing semi-annual or annual interest payments on some $5bn of medium and long term debt. Since January Ecuador has stopped payments on such debt due to a shortfall in oil earnings. The concession being sought by Ecuador was last week conceded to Chile after strong opposition from Citicorp, fearful of a knock-on effect.

Rover unit attracts Indian interest

By John Elliott in New Delhi

ABOUT five Indian-owned companies, including Bajaj Auto, which is the world's second largest producer of scooters, are believed to have expressed an interest in buying Ashok Leyland, the Indian truck and bus offshoot of Rover of the UK.

Based in the southern Indian city of Madras, Ashok Leyland was not included in the new Daf-Leyland group announced last week. It is India's second biggest producer, with an output of around 16,000 trucks and buses a year, which roughly equals Daf's existing output and exceeds that of Leyland's UK factories. But it has been facing sales problems in recent years.

The prospective buyers will now be approaching Rover of the UK with bids for its 40 per cent of the company, held by Leyland International Holdings, which industry analysts consider is worth about £12m ($18.2m).

Rover is expected to want to sell the stake, along with a 59 per cent holding in a sister company called Ennore Foundries, because it will have no interest in heavy trucks and buses once the Daf deal goes through. A sale would also raise some capital, although it would lose its annual dividends of some £800,000 a year.

The Bajaj offer was first made privately in the middle of last year and was confirmed in New Delhi yesterday by Mr Rahul Bajaj, chairman and managing director of Bajaj Auto, who has purchased shares on the Indian stock market totalling less than 1 per cent of the equity.

"I have put in a *bid for* all or part of Rover's 40 per cent holding in Ashok Leyland and I hope, following the announcement about Daf, that Rover will come back to me with a reply," said Mr Bajaj, who is also part-time chairman of Indian Airlines, the country's government-owned domestic airline.

Other approaches are believed to have been made by Indian industrialists living in India and abroad. Some interest is also expected from European truck manufacturers, whose ability to offer advanced technology might help them to win essential support from the Indian Government. About 35 per cent of the equity is in the hands of government-owned financial institions, and the remaining 25 per cent is widely held.

The existing all-Indian management of the company is likely to favour a new foreign-based owner, partly because it would probably allow them more managerial autonomy than an Indian entrepreneur such as Mr Bajaj.

Kenneth Gooding writes from London: Rover Group said in London yesterday that it had received several completely unsolicited offers for its shareholding in Ashok and, while its 40 per cent stake had not been put up for sale, the situation was under review.

Two other major Rover associate companies – Nigeria and South Africa – are not included in the joint Leyland-Daf organisation.

Syria determined

Continued from Page 1

out seven Druze gunmen of the Progressive Socialist Party.

The forceful exhibition was a sample of Syrian determination to end the reign of the militias over West Beirut after street battles had left some 200 dead and 500 wounded.

Brigadier Kanaan pointed out that the security plan would cover a wide area, insinuating that the southern suburbs, where Hizbullah is believed to be holding foreign hostages, will not be exempt. It is still not clear what stand Iran may adopt on the Syrian development and how far it will go in protecting its local followers.

Although Israeli Defense Minister Yitzhak Rabin said Israel *would weigh its response to the* presence of Syrian troops in west Beirut carefully, this was not seen as a real outcry by the country that was supposed to be the most vocal objector. The PLO has said Syria's intervention violated Lebanese sovereignty and endangered Palestinian refugees in camps besieged by Amal, Damascus's closest ally in Lebanon.

Mr Walid Jumblatt said he was ready to hand all his militias weapons to Syria and would return to Beirut to order his men to disarm.

A Lebanese woman, who said she was happy to wake up to the sound of honking horns than to the habitual machinegun fire in her neighbourhood expressed disbelief at the prospect of getting rid of the militias. "This is how these people live. They make war and get paid for it. What are they going to do now?"

Despite its formidable military might, Syria may be in for some local resistance. The next few days will show how far it will go in crushing it.

French TV contracts

Continued from Page 1

Silvio Berlusconi, the Italian television entrepreneur, and Mr Jerome Seydoux, chairman of the French Chargeurs transport and communications group.

Mr Hersant, who defended his television project during US-style public hearings before the CNCL last week, will become chief executive with a 25 per cent stake. Mr Berlusconi will also have a 25 per cent *stake and become deputy chief* executive, while Mr Seydoux will retain a 10 per cent interest in the network.

While Mr Hersant had been widely expected to gain control of the Fifth Channel, the battle for the sixth channel appears to have been more finely balanced. However, the CNCL finally decided to grant the concession to the Metropole TV consortium rather than to the current operators of the music network.

Metropole TV, grouping the CLT and the Lyonnaise des Eaux, plans to expand the music channel into a general entertainment rather than specialised music network.

At the same time, in a day of climaxes for the Government's television broadcasting reforms, the deadline for applications to operate TF-1 ended at midnight.

The frontrunners to acquire the 50 per cent controlling stake in the leading state television network are *expected to be a consortium led by* Hachette, the leading French publishing group, and a rival group led by Bouygues.

However, the main candidates have been struggling to put together their bids because of the higher than expected price of FFr 3bn ($493m) that the Government has put on for the 50 per cent controlling stake in the network. The remaining shares in the network are to be offered to the public with 10 per cent reserved for employees of the channel.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	S	14	57	Malta	–	–	–	Rhodes	C	18	64
Algiers	F	13	55	Edinburgh	C	2	36	Manchester	Sl	1	34	Rio de J'o	S	36	97
Amsterdam	S	4	39	Faro	R	10	50	Manila	S	32	90	Rome	F	10	50
Athens	C	16	61	Florence	S	11	52	Melbourne	S	22	72	Salzburg	Su	0	32
Bahrain	S	22	72	Frankfurt	F	2	36	Mexico City	S	26	79	San Francisco	S	8	46
Bangkok	S	33	91	Funchal	R	18	64	Miami	C	23	73	Seoul	S	9	48
Barcelona	S	8	48	Geneva	S	5	41	Milan	S	8	46	Singapore	F	–	–
Beirut	S	22	71	Gibraltar	C	12	54	Montreal	S	–10	14	Stockholm	F	–5	23
Belfast	C	4	39	Glasgow	C	3	37	Moscow	Sn	–3	27	Strasbourg	R	2	36
Belgrade	F	5	41	Guernsey	S	6	43	Munich	Sn	–1	30	Sydney	C	21	70
Berlin	S	–1	30	Helsinki	S	–7	19	Nairobi	F	27	81	Taipei	S	19	66
Biarritz	S	5	41	H. Kong	C	20	68	Naples	F	9	48	Tangier	C	17	63
Bombay	–	–	–	Innsbruck	F	3	37	Nassau	–	–	–	Tel Aviv	S	23	73
Bordeaux	S	5	41	Inverness	C	2	36	New Delhi	S	27	81	Tenerife	S	23	73
Brussels	Sn	2	36	Islamabad	R	14	57	New York	Sn	1	34	Tokyo	S	11	52
Budapest	S	5	41	Istanbul	F	15	59	Nice	S	12	54	Toronto	C	–2	28
B. Aires	C	30	86	Jakarta	R	30	86	Nicosia	S	20	68	Tunis	T	11	52
Cairo	S	27	81	Jersey	C	5	41	Oporto	–	–	–	Valencia	F	11	52
Cape Town	F	23	73	Jo'burg	S	28	82	Oslo	S	–3	27	Venice	S	8	46
Caracas	C	27	81	Lima	S	26	79	Paris	C	4	39	Vienna	F	1	34
Casablanca	S	18	64	Lisbon	C	7	45	Peking	S	8	46	Warsaw	F	–3	27
Chicago	S	–3	27	London	C	6	43	Prague	S	–2	28	Washington	C	1	34
Cologne	F	3	37	Los Angeles	F	8	46	Reykjavik	F	3	37	Zurich	Sn	2	36
Copenhagen	S	0	32	Luxembourg	Sn	0	32								
Corfu	R	11	52	Madrid	C	3	37								
Dallas	S	3	37	Majorca	C	10	50								
Dublin	C	–	–	Malaga	S	–	–								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Abdallah quits court

Continued from Page 1

questions. When at the outset of the hearing he was asked his name and basic details about himself, he replied "I am an Arab."

He entered the courtroom, which was packed with reporters and an invited public, just after 1 pm – a slight, heavily-bearded figure in jeans, brown jacket and blue sweater, with shoulders slumped slightly forward. His eyes darted sharply from his judge to the courtroom.

He had learnt by heart the long declaration he made – parts of which had already been published in a French weekly – and was heard in silence. The speech breathed a chilling hatred of the US and of his captors and a willingness to use any means in defence of the Arab cause. "Either there is peace for the Arab people", he said, "or there will be no peace for anybody anywhere."

His argument was that the charges against him could not be separated from the "imperialist aggression" *against Arab people. In* particular he condemned the cynicism by which the American Government, which had been responsible for countless killings in the Middle East should be plaintiffs for the alleged "victims" in the case.

Mr Jacques Verges, Mr Abdallah's lawyer, said afterwards that Mr Abdallah *would not return* even for the verdict and the sentence at the end. He stands to get life imprisonment for complicity on the two murder charges

FINANCIAL TIMES
Tuesday February 24 1987

American Motors returns to black in fourth quarter

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN Motors, the struggling US car manufacturer which is 46 per cent owned by Renault of France, returned to profit in the last quarter of 1986 for the first time since 1984, despite a continuing decline in unit sales.

With the release of three new passenger cars based on Renault's European models, the company this year expected to boost its sales for the first time in three years, Mr Joseph Cappy, AMC's president said yesterday.

AMC's net profit of $20m, or 10 cents a share, in the last quarter compares with a loss of $6.7m, or nine cents, in the same period the previous year.

In 1986 as a whole, AMC made a net loss of $91.3m, or 99 cents, a 28 per cent improvement on the deficit of $125.3m, or $1.24, in 1985.

However, net sales were 12.5 per cent down last year at $3.5bn, compared with $4.0bn in 1985. In the fourth quarter, sales of $938m compared with $1.13bn the year before.

Despite steadily growing sales of its Jeep utility vehicles and the remarkable success of the Jeep Cherokee and Wagoneer in the passenger utility car market, AMC has been losing market share extremely rapidly in recent years.

This has been largely a result of the failure of the Encore and Alliance models, based on the European Renault 11, to make any significant inroads into the US market for cheap subcompact cars.

In the upper end of the car market, AMC has had no new offerings for many years.

Mr Cappy said yesterday that the larger Medallion model, a US version of the Renault 21, to be imported directly from France, would go on sale from next month onwards.

A totally new Renault design, the Premier, will start being manufactured in the autumn at AMC's new plant in Ontario.

These new models would give AMC a presence in the markets for compact cars, station wagons and larger "intermediate" cars, thereby covering more than half the total US car market, Mr Cappy said.

Elders IXL set to take over Carling with C$392m offer

BY BERNARD SIMON IN TORONTO

ELDERS IXL, the aggressive Australian group, is set to gain a foothold in the Canadian beer market through a C$392m (US$294m) bid for Carling O'Keefe, the brewing and energy company controlled by Rothmans of Pall Mall.

Rothmans said yesterday it had agreed to tender its 10.9m shares in Carling, representing 50.1 per cent of the total, to Elders. The Australian company plans to make a bid by March 25 for all Carling's common shares at a price of C$18 each. The shares have recently been trading just below C$16.

Rothmans has worked hard recently to put Carling on a more stable footing after two years of declining market share and falling earnings. Carling has sold its Canadian wine interests and recently announced a tentative agreement to sell its energy subsidiary, Star Oil and Gas. Rothmans' increasingly active role culminated in the replacement of Carling's chief executive last October.

The British company's decision to withdraw has thus come as a surprise. Mr David Cohen, drinks analyst at McNeil Mantha, a Toronto securities firm, said it seemed that Rothmans "didn't want to wait around."

Carling has recently improved its financial performance. Profits in the nine months to December 31 rose from C$6.4m in 1985 to C$16.7m last year. Sales increased from C$690.2m to C$733.6m. Earnings in the quarter ended December 31 more than doubled to C$6.6m.

Carling was riding high in 1984 after the successful launch of Miller High Life beer in Canada. But its share of the C$5bn-a-year Canadian beer market has shrunk from 30 per cent to 22 per cent in three years, due partly to its late move into packaging its other brands in popular long-neck bottles with twist-off caps. The company wrote off C$20.6m in obsolete bottles in 1985.

Carling forged a link with Elders a year ago by signing a licensing agreement to brew and distribute Fosters lager in Canada. Its other beer brands include Carlsberg, Carling Black Label and Old Vienna.

The company's interests also include control of the Irish brewer Beamish and Crawford, which owns a brewery in Cork.

Trump gains $30m as Bally moves to protect independence

BY JAMES BUCHAN IN NEW YORK

BALLY Manufacturing, the Chicago casino company and maker of slot machines, has thwarted a threat to its independence by agreeing to buy shares held by Mr Donald Trump, the New York real estate developer and casino operator, at what appears to be a substantial premium to the market.

According to an agreement reached over the weekend, Bally will pay Mr Trump about $83.7m for his 9.9 per cent stake in the company to settle a battle between the rival operators.

The agreement, which guarantees Mr Trump a profit of around $30m, is the first significant instance of preferential shareholder treatment since Goodyear, the largest US tyre maker, bought out Sir James Goldsmith at a market premium at the end of last year. This practice is sometimes termed "greenmail."

It is also the second time in three months that Mr Trump, who runs two casinos in Atlantic City alongside some spectacular property developments in New York, has made large profits from block investments in hotel and casino companies.

Mr Trump, who paid less than $20 a share when he bought into Bally last November, will receive a little over $24 a share for 2.6m out of his 3.1m shares, an option to sell the remainder at $33 a share no later than a year from now, and expenses. Bally stock was trading early yesterday at $17⅞, down $1¼.

The weekend agreement should put an end to a spate of reciprocal lawsuits and should free Bally to buy the Golden Nugget hotel and casino in Atlantic City to match Mr Trump's pair. Mr Trump had tried to thwart the deal.

Last September, Mr Trump bought 4.9 per cent in Holiday Corporation, the hotel company with three casinos in Nevada, and walked away with a $35m profit when the company announced a recapitalisation plan in November. The money was re-invested in Bally.

Daishowa subsidiary in US deal

BY YOKO SHIBATA IN TOKYO

DAISHOWA America, the US subsidiary of Daishowa Paper Manufacturing of Japan, has agreed to buy the corrugated cardboard manufacturing units of Louisiana-Pacific of the US for Y26bn ($170m). The deal is due to be completed by the end of next month.

It is understood that Daishowa outbid three US contenders for the unit, Fiberboard Corporation, which has a plant in Antioch, California, capable of manufacturing 240,000 tons of corrugated paper a year. The unit employs about 650 workers.

After the purchase, Daishowa will lift the production capacity to 300,000 tons a year by injecting Y6bn on modernisation. Products from the plant will be marketed in the US for the time being, but additional facilities will be built there in two or three years for exporting to Japan.

Daishowa's move follows those of other Japanese paper manufacturers such as Settsu and Kanzaki Paper, which have recently established production outlets in North America in response to accelerating paper imports into Japan resulting from the strong yen and lower tariffs.

Japanese paper manufacturers rely totally on imported raw materials and fuel, making the cost of manufacturing corrugated cardboard 30 to 40 per cent higher than for US manufacturers.

Initially Daishowa was planning manufacturing in California from scratch. However, strict pollution control made new construction plant difficult and would have cost more than Y30bn.

The Fiberboard facilities and skilled workers, coupled with cheap material and fuel costs, will enable Daishowa to produce corrugated cardboard papers 50 per cent cheaper than those produced in Japan.

Funding for the takeover will be supplied by Japanese banks in California.

PENSION FUND INVESTMENT

The Financial Times Survey on Pension Fund Investment which was due to be published on February 25 1987 has been postponed and will now appear on:

Thursday May 21

Losses at PHB 'due to French units'

By Peter Bruce in Bonn

PHB Weserhuette, the big West German bulk handling and mining equipment group, said it had to take "exceptionally high losses" last year because of trouble in its French subsidiaries.

PHB, part of the Otto Wolff group, said its French businesses had lost DM 60m ($33m) last year. A senior French manager is reported to be under investigation for embezzlement, and PHB is planning the complete takeover of all its French operations, none of which has yet been consolidated.

These include the plant builder, PHB Someral in Mulhouse, Som-Delattre in Paris and Delattre Levivier, once Creusot Loire's materials handling subsidiary. PHB has seldom bought companies outright in France, preferring control and a continuing interest from the original owners.

The Otto Wolff parent has had to pump fresh funds into PHB, whose domestic businesses made net profits of DM 3.4m in 1985 on turnover of DM 454m, to help it cover the French losses. Complete 1986 PHB figures will not be known until the summer.

PHB claimed, though, that the French problems were largely "one-off." It said that as a result of thoroughgoing structural changes, the elimination of "loss sources," organisational streamlining and the establishment of new management "the conditions for a successful continuation of the French businesses have been created."

It appears that PHB in Cologne realised in the summer of last year that the French operations were losing a serious amount of money. Much of the change referred to in the company statement has taken place very quickly.

The Wolff group, PHB included, is also facing difficulty in home and export markets. Demand for the heavy materials handling and processing equipment of the kind PHB builds has fallen dramatically in the developing world, particularly in oil producing countries. PHB also said that low domestic orders and a costly restructuring programme would mean losses for the German businesses as well.

At home, the Otto Wolff steel processing and trading businesses are being hurt, like the rest of the community steel industry, by low steel prices and cheap third-country imports.

This new crisis for the Wolff group comes as its founder, Mr Otto Wolff von Amerongen, is about to retire from his executive role and hand over control to his son-in-law, Mr Arend Oetker.

The group, which fought and won a bitter battle with the Hoesch steel group to retain control for PHB two years ago, expanded PHB activities in France very quickly in the early 1980s.

The leadership in both Wolff and PHB is now said to agree that the French acquisitions were probably allowed too much free rein. Both the new management in France and the pledge to buy full control of the operations there seem to bear out a new determination to impose new discipline.

Union Bank of Finland lifts profits by 2.2%

By Olli Virtanen in Helsinki

UNION BANK of Finland, the country's leading commercial bank, showed an increase in profit of just 2.2 per cent, before appropriations and taxes, to FM 849m ($185m) last year when banking in Finland, according to Mr Mika Tiivola, UBF's chairman was "perhaps riskier than ever".

The merger with Bank of Helsinki helped boost consolidated assets to FM 104.67bn up 17.3 per cent from 1985.

Total deposits at the end of the year amounted to FM 91.03m while lending totalled FM 86.2m. The group's operating margin increased by 5 per cent to FM 1.3bn but as a percentage of gross income it came down from 16.5 per cent to 14 per cent. Return on equity dropped from 13.9 per cent to 9 per cent.

Credit and guarantee losses increased from FM 37m to FM 145m, which, according to the bank's annual report, is still modest. Income from foreign exchange doubled to FM 191m.

The UBF parent bank reports a profit before taxes and appropriations of FM 763m, up 12 per cent from 1985. Return on equity declined from 13.1 per cent to 10.4 per cent. A decrease in net interest income was the biggest contributor to weaker results, said Mr Ahti Hirvonen, managing director.

Anne Charters in Sao Paolo looks at a high profile Italian acquisition

Ferruzzi gets a taste for Brazil

WITH the single acquisition of Cica, Brazil's biggest canned foods manufacturer, the Ferruzzi group of Italy has vaulted into high profile domestically and brought its Brazilian operations more within the dimensions of its international agro-industry businesses.

Cia Industria de Conservas Alimenticias (Cica), a traditional family-run enterprise with operating profits of $251.8m for the year to the end of April 1985, is a common household brand for jams, jellies and concentrated tropical fruit sweets.

Even more important, with the help of its congenial animated elephant, the company's Elefante brand tomato paste and other tomato products appear in half of Brazil's homes when pasta is prepared.

Cica is a good catch, regardless of whether it is indeed the largest canned food producer in Latin America (as the founding Bonfigliolo family claims) or whether it is just the largest in Brazil, according to Mr Osvaldo Ribeiro, one of the directors of the Ferruzzi group's Brazilian holding company Mopevi. "We've been courting the company for over a year," Mr Ribeiro said.

Cica became a target for purchase soon after its main shareholders, the Bonfigliolo family, ran into difficulty with another family enterprise, Banco Auxilia. When the bank was declared insolvent in November 1985 and placed under Brazilian central bank control to liquidate its debts, it was not long before Cica sought protection from its creditors and suppliers by seeking court supervision in pre-bankruptcy proceedings.

Ferruzzi, with $5bn in worldwide annual sales, was in the process of redirecting its investments in Brazil out of cement and into businesses more linked to agriculture and foods.

In March 1986, Ferruzzi sold Ciemento Santa Rita, one of the top 10 cement companies in Brazil, to the first ranking Votorantim Industrias, part of one of Brazil's leading conglomerates. Although the price was not disclosed, Ciemento Santa Rita showed profits of $7m on sales of $53m in 1985, according to Mr Ribeiro.

For Ferruzzi, despite Brazil's economic difficulties with a return to rampant inflation, severe supply problems and high interest rates, the country has the right characteristics to justify investment over the long term. "We look at the purchasing power of the middle class, the agricultural potential that is not dependent on imports and the population growth." Mr Ribeiro said. With the purchase of Cica, "we are buying the tradition of a good product, good market share and a highly competent technical staff capable of competing worldwide in the development of new products."

For Ferruzzi, despite Brazil's economic difficulties the country has the right characteristics to justify long-term investment

The group intends to use its marketing system to boost Cica's exports, which are low at 3 per cent of sales. "Where we sell sugar, we can sell other products," says Mr Ribeiro, once Cica's fruit products are adjusted to European palates.

Target markets initially are the US and Eastern Europe. Sales to EEC countries are described as more complicated, but the potential is high.

The locally disclosed purchase price for Cica of $155m is still subject to adjustment pending an audit now under way. The closing date for the purchase is March 31, when the first of six payments, each increasing in value, is due. The Ferruzzi group needs almost no new money to complete the acquisition, says Mr Ribeiro.

Once the takeover is complete, the group plans to inject $10m to remove the company from court supervised pre-bankruptcy.

Most of Cica's 5,000 employees spread through five industrial complexes, three in Sao Paulo state, one in the southern state of Rio Grande do Sul and another in the North Eastern Bahia state, are expected to remain.

This year, Cica's sales should total between $220m and $250m with lower exports at 2 per cent due to domestic demand increases and the need to import a basic ingredient, tomato paste. Mr Ribeiro is confident of the results even if the Brazilian economy heads into a slowdown: "People eat at home during a recession."

Despite increased sales volume last year during the euphoria of a consumer spending boom, many of the company's products are still subject to government price control, squeezing profits. A closer analysis of production costs and margins is under way as the Ferruzzi management attempts to put the company back into the black.

Ferruzzi's other investments in Brazil include a leading concrete manufacturer, Concrebas, founded by the group in 1974, with 40 plants operating in the southern half of Brazil. The company's last published results showed net operating profits of about $24.6m with a loss of $315,000 for 1985.

An agro-industrial project, Agrocuaria Mogno, was started in 1974 in Mato Grosso, a central western state. With 2m coffee trees, 1m Cacau plants, 30,000 cattle and plantings of the tropical guarana berry, it is about to begin production after total investments of $30m.

The group's trading company, Occidental Trading, was one of Brazil's largest soya bean exporters in 1986 with 135,000 tons worth $25m shipped to Europe.

An attempt last year to expand into local financial circles through the purchase of Brazilinvest, a Brazil investment bank, under central bank supervision for insolvency, was unsuccessful, apparently because the Ferruzzi group could was unable to reach agreement with the banks' international creditors.

With the latest acquisition, Brazil now ranks fourth in importance to the group after Italy, France and the US.

"We are buying the tradition of a good product, good market share and a highly competent technical staff capable of competing worldwide in the development of new products."

Mr Sergio Cragnotti, president of the Brazilian operations, lives in Milan and concurrently acts as vice-president of the group's international agrobusiness holding company.

Consolidated sales for the group's businesses in Brazil are estimated at $100m for 1986, with improved profits. Mr Ribeiro declined to release previous years' figures on the grounds that they were not comparable because the group had sold Cimento Santa Rita early last year.

The next move for Ferruzzi in Brazil is to conclude talks with the Brazilian Bonfiglioli Corporation on the sale of Cica Argentina – another important food processor – thereby raising its profile in yet another rich South American country.

N. American quarterlies

ATARI
Home computers

Fourth quarter	1986 $	1985 $
Revenue	92.7m	65.4m
Net profits	12m	14.9m
Net per share	0.45	0.64
Year		
Revenue	258.1m	142m
Net profits	25.1m	†14.2m
Net per share	1.06	†0.62

†Loss

CAMPBELL SOUP
Food processing

Second quarter	1986-87 $	1985-86 $
Revenue	1.25bn	1.16bn
Net profits	78.4m	71.2m
Net per share	1.08	1.10
Six months		
Revenue	2.36bn	2.21bn
Net profits	129.1m	124.5m
Net per share	1.99	1.92

CINCINNATI MILACRON
Machine tools

Fourth quarter	1986 $	1985 $
Revenue	230.9m	202.1m
Net profits	7.4m	2.5m
Net per share	0.31	0.10
Year		
Revenue	850m	732.2m
Net profits	23.1m	†44.6m
Net per share	0.96	†1.92

†Loss

GILLETTE
Toiletries

Fourth quarter	1986 $	1985 $
Revenue	780.6m	663.3m
Net profits	†126.3m	38.2m
Net per share	-	0.63
Year		
Revenue	2.8bn	2.4bn
Net profits	15.8m	159.9m
Net per share	0.23	2.59

† Loss reflects $165.3m restructuring charge.

JAMES RIVER
Speciality papers

Third quarter	1986-87 $	1985-86 $
Revenue	1.1bn	609m
Net profits	41.7m	17.1m
Net per share	0.48	0.39
Nine months		
Revenue	2.9bn	1.8bn
Net profits	124m	72.3m
Net per share	1.59	1.36

JWT GROUP
Advertising, PR

Fourth quarter	1986 $	1985 $
Revenue	179.4m	167m
Net profits	†4.9m	9m
Net per share	†0.49	0.91
Year		
Revenue	649.1m	582.4m
Net profits	5.9m	19.4m
Net per share	0.60	1.97

†Loss

LUCKY STORES
Food, department stores

Fourth quarter	1986 $	1985 $
Revenue	1.76bn	1.57bn
Net profits	3.2m	616,500
Net per share	0.07	0
Year		
Revenue	6.44bn	6.25bn
Net profits	49.7m	48.7m
Net per share	0.97	0.92

Rainier Bancorp of Seattle courted by out-of-town bidders

BY RODERICK ORAM IN NEW YORK

RAINIER Bancorporation, a mid-sized Seattle bank holding company with interests in the Pacific Rim, revealed yesterday that it had received two takeover proposals from large out-of-state competitors.

Analysts thought the unidentified bidders were Security Pacific of Los Angeles and First Bank System of Minneapolis although both companies declined to comment. Rainier's shares jumped $5¼ to $47½ in early over-the-counter trading, indicating that a bid would value the group at more than $1bn.

Rainier, whose principal operating unit is Rainier National Bank, the 40th largest US bank with assets of $9.2bn, said its board was holding talks with both bidders and expected to make a decision on their separate offers this week.

A law due to come into effect on July 1 will allow the takeover of Washington state banks by institutions from states which similarly allow interstate acquisitions.

Security Pacific and First Bank Systems already have toe-holds in Washington state where Rainier is one of the few independent banks with a sizable market share.

Rainier has been on the acquisition trail itself in its home state and in Oregon. Its Pacific region operations which include nine offices in Hong Kong, and others in China, South Korea, Taiwan, Tokyo and Singapore are one of Rainier's attractions.

Problems in mortgage banking and accelerating operating expenses flattened Rainier's profit growth last year. It turned in net profits of $70m, or $3.41 a share, up 7 per cent from a year earlier. Its loan-loss reserve was 1.23 per cent of total loans against 1.22 per cent a year earlier. Total assets grew to $9.2bn from $8.35bn.

Cominco slips further into loss after charge

BY BERNARD SIMON IN TORONTO

COMINCO, the Vancouver mining and fertiliser group's new owners, have continued their spring cleaning by providing C$157m (US$118m) for expected losses on the disposal of non-core businesses.

The extraordinary writedown pushed Cominco to a net 1986 loss of C$151.8m, equal to C$2.53 a share, compared with the previous year's loss of C$98.1m, or C$1.72.

The charge was offset by gains from the sale last year of Cominco's interests in a gold mine and a coal producer. The loss before extraordinary items was C$48.2m, or 95 cents a share, down from C$71.5m, or C$1.31, the previous year. Sales fell from C$1.46bn to C$1.33bn.

Control of Cominco shifted last November from Canadian Pacific to a consortium comprising Metallgesellschaft of West Germany, Australia's MIM Holdings and Teck Corp of Canada. The new owners have wasted no time in putting their own stamp on the company, replacing several senior managers (including the chief executive) and board members.

The new board approved a restructuring plan last week involving the sale of unspecified assets "not considered essential to the core business of the company." Proceeds will be used to reduce debt.

Cominco's mining and metals business moved from an operating loss of C$22.5m in 1985 to a profit of C$21.4m last year.

Insurance chief to give up post

By Our Financial Staff

MR JOHN BOGARDUS is to give up this May his post as chief executive officer of New York-based Alexander & Alexander Services, the world's second biggest international insurance broking group.

Mr Bogardus, who is 59, said he would continue to serve as the group's chairman until his retirement in May, 1988.

A former US Navy officer, Mr Bogardus spent his whole career in insurance with A&A. In 1982, he presided over its ill-fated purchase of Alexander Howden, the London insurance broking and underwriting group.

A&A later uncovered a series of massive financial irregularities within the Howden group.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Consob poised to reform bourse

BY ALAN FRIEDMAN IN MILAN

CONSOB, the Italian stock market regulatory authority, which in the past has been accused of lethargy and indecision, appears to be about to launch a series of structural reforms.

The reforms are aimed at modernising share trading and could lead to the creation of home-grown Italian securities houses, for the first time.

Consob's aims are to ensure smoother functioning of the market, elimination of parallel trading between the official and after-hours markets and, as a result, improve the quality of price competition. The idea is to concentrate trading in the official market.

The Consob plan is likely to lead to the presentation this spring of a legislative proposal to parliament by Mr Franco Piga, the agency's chairman. It has been developed partly as a result of the current "war" for business between stockbrokers and banks.

This month-long row, oddly enough, has given Consob its opportunity to move forward with proposals which are designed to reduce the price manipulation and insider trading which have long been a feature of the Milan bourse.

By far the most significant element of the Consob plan will be a compromise to be put to the warring brokers and banks which could lead to the creation of securities houses on the US or Japanese model. A consequence of the compromise could be the eventual demise of many of Milan's 120 registered stockbrokers as individual entities.

The background to the present conflict between banks and brokers is to be found in the weakness of Consob's present mandate. Regulation of market activities, under law, applies only to registered stockbrokers and the bourse itself. Whatever happens outside the official bourse is wholly legal and is beyond the regulatory reach of Consob.

The result of this regulatory structure is that around 98 per cent of bond trading and 52 per cent of share trading (at present running officially at around L100bn a day) goes on well away from the official stockmarket.

Foreign boycott

"We have two markets here in Italy—one which is real and one which is official," admits Mr Giuseppe Zadra, head of Consob's market division.

Trading on the Milan bourse is in the form of a call auction, with three simultaneous open calls of around 60 shares in each list. The "real" trading goes on by telephone among big banks and companies in the afternoon (the bourse closes at 2 pm) and is based on the morning's "official" prices, which are frequently manipulated by the big players.

In June 1985 (see table) Consob first convened leaders of Italy's stockbroking and banking communities and told them that reform was needed in two areas. First, the structure of share trading would have to be improved upon in order to reduce the manipulation of share prices. Second, the nightmarish delays in settlement of share transactions would have to be eliminated by legislation which gave authority to Monte Titoli, the electronic clearing system.

In the past year many foreign investors have boycotted the Milan bourse because of settlement delays, which have sometimes lasted for months. In June, 1986, however, parliament finally approved the Monte Titoli legislation, and it comes into force this week. At present Monte Titoli handles only 10 per cent of outstanding transactions.

As for price manipulation and trading away from the official bourse, Milan's 120 registered stockbrokers have shown little inclination to alter their comfortable lives until very recently. Most brokers simply execute orders for big banks and collect hefty commissions.

The gauntlet was thrown down, however, on January 29 when the Banca Nazionale del Lavoro (BNL), Italy's biggest bank, began round-the-clock share trading, using Reuters terminals and thus becoming the first electronic trading system in Italy.

Milan stockbrokers reacted with fear and anger. They could see immediately that if banks such as BNL could make their own market then the bourse could be bypassed and commission income imperilled.

The brokers first tried to lengthen their auction to last all day, to compete with after-hours trading. But Consob blocked this move, concerned at the chaos it could cause in the back rooms.

Meanwhile other big Italian banks have signalled their willingness to introduce continuous electronic trading.

On Tuesday and Wednesday last week the Consob convened first brokers and then bankers. Last Friday it presented a lengthy document which contains several key reform proposals.

The Consob action, certainly the firmest seen to date by Italy's nearest equivalent to the US Securities and Exchange Commission, freezes all initiatives by banks and brokers, thus imposing a truce. Consob has furthermore said that an agreement between banks and brokers must be reached by March 15, and will hear suggestions from both sides.

Wants compromise

Most important, Consob has already outlined the compromise it wants, namely a full day of continuous share trading open to brokers, new groupings of brokerage firms and new brokerage house subsidiaries of banks, to be authorised by legislation.

A probable compromise would see the smaller brokers, whose existence is threatened, taken on as senior executives of the new securities houses.

The creation of more securities houses could certainly be an important stimulus to competition, just as the creation of more Italian merchant banks is expected to be in corporate finance.

For the moment, however, Consob has merely expressed its goals. It remains to be seen whether the stockmarket authority can achieve them.

Sweden reduces $1.8bn standby credit

BY STEPHEN FIDLER

SWEDEN, continuing efforts to reduce the costs of its borrowings abroad, is refinancing a $1.8bn standby credit facility and reducing its size by a third.

Chase Investment Bank which had arranged the original deal signed in August 1985 with more than 50 banks, said the maturity of the new $1.2bn facility would be extended to 1995 from 1991.

The margin would be substantially reduced to four basis points over London interbank offered rates (Libor).

The previous facility, itself renegotiated and never actually drawn down, carried interest rates at margins over a variety of benchmarks related to Libor and certificate of deposit rates.

Chase described the new facility as a "streamlining" and said the renegotiation came within the framework of Sweden's "overall borrowing and liquidity management requirements."

Commitment fees for the facility have also been reduced, to four basis points for the first four years and five basis points for the remaining four years. The earlier deal carried a commitment fee of 6.25 per cent throughout its life.

If 25 to 50 per cent of the facility is utilised, a fee of 2.5 basis points is payable, the fee for 50 to 75 per cent is five basis points, and for over 75 per cent 10 basis points.

STANDARD & POOR'S, the US credit rating agency, has reaffirmed the triple-A rating of the City of Stockholm despite the city's recent loss of an estimated SKr 470m in the options and futures market, writes Alexander Nicoll, Euromarkets Editor.

The losses resulted from trading in the City's treasury by an individual who ignored cash management guidelines.

S & P said, however, that steps had been taken to prevent violations of the guidelines in future. The City expected to fund the losses through sales of its equity holdings and unbudgeted savings, although increased borrowings were also possible.

S & P said that although the losses will adversely affect the City's budget and debt level, its strong financial position would not be seriously impaired. Borrowings had been restrained, and debt as a proportion of the tax base had fallen since 1982.

Foreign investors put pressure on India fund

By John Elliott in New Delhi

THE FIRST group of foreign financial institutions allowed to invest in India's stock markets has asked the Unit Trust of India to speed up its placement of their £75m fund and to do more to improve its international image.

The institutions, which include Fidelity International of Hong Kong, Templeton Investment of the US, and Rowe Price-Fleming and Ensign Trust of the UK, have invested up to £7m apiece in the new fund.

Launched for the Indian Government last year by Merrill Lynch to bring foreign investors into Indian stock markets, the fund is managed by the government-owned Unit Trust of India (UTI).

About two-thirds of the £75m has been subscribed by approximately 40 foreign financial institutions, mostly in lots of £500,000 to £1m. The rest has come from private investors, including Indians living overseas.

The fund was sanctioned by India's Finance Ministry at the end of 1985 as a first tentative step towards opening up India's stock markets, which have been closed to foreigners since the country became independent 40 years ago. It is being watched by international banks which want to be involved in further funds expected to be authorised in the future.

Given the historic nature of the venture, which started business two months ago, the institutions involved are broadly satisfied. However, the fund has been hit by sharp falls in the value of the rupee against sterling and by what they consider inadequate publicity in London, where it is publicly quoted.

It has also been affected by concern about recent tension on the Indo-Pakistan border, which has now eased, and by general uncertainty as Indian stock markets await India's annual Budget speech, to be delivered by Mr Rajiv Gandhi, prime minister, next Saturday.

These factors have helped to bring the value of £1 units of the fund on the London Stock Exchange down to 98p, and have also slowed the pace at which the £75m is being invested in the Indian stock markets.

At the first meeting of the fund's advisory board in New Delhi at the end of last week, representatives of the foreign institutions asked for more aggressive action by the UTI. Traditionally the UTI, which is India's only unit trust, adopts a more cautious investment policy on behalf of its 2m small unit holders than the foreign institutions require.

Mr Michael von Clemm, chairman of Merrill Lynch Capital Markets, described the 2p discount as "minuscule and a matter of great irrelevance to our investors," even though some institutions believe it could harm the image of both the fund and the UTI. The fund had had a "decent start with no unpleasant surprises."

Liechtenstein bank bearer certificates sold

By Our Euromarkets Staff

THE PRINCE of Liechtenstein Foundation is selling 60,000 bearer participation certificates (BPCs) of the Bank of Liechtenstein, which it has acquired as a result of its latest rights issue, through an international syndicate led by Swiss Bank Corporation International.

Additionally, Swiss Bank Corporation is arranging an offering of 50,000 BPCs in Switzerland, and the combined value of the two tranches represents 18.5 per cent of the enlarged participation capital and 4.2 per cent of the combined increased participation and share capital.

The pricing will be fixed on February 26 at a small discount to the closing price of the BPCs on the Zurich pre-bourse. Yesterday the BPCs traded at SFr 1,840 each.

Deutsche Bank is co-leading the international tranche, and the fees total 3½ per cent.

HK railway gains high debt ratings

By Our Financial Staff

HONG KONG'S Mass Transit Railway (MTR), the state transport utility, has received ratings of A-1 from Standard and Poor's and P-1 from Moody's for its commercial paper.

Mr Wilfrid Newton, MTR chairman, said: "This is the first time a Hong Kong entity's debt is being rated by any agency." The ratings apply to its US$100m Euro-commercial paper facility and a HK$2.1bn domestic paper programme.

Dull trading after doubts over G7 meeting's effects

BY CLARE PEARSON

INTERNATIONAL BONDS

THE EURODOLLAR bond market reacted sceptically yesterday to the outcome of the weekend meeting of finance ministers in Paris. Bond dealers were looking for a test of the authorities' resolve to stabilise exchange rates at around current levels, and this was not provided by yesterday's foreign exchange market.

Prices of Eurodollar fixed rate bonds ended mostly unchanged or about ¼ percentage point easier in lacklustre trading. Prices of Euroyen bonds, on the other hand, firmed slightly on the basis of continued strong demand from Japan.

Nomura International led a debut Y60bn five-year issue for Tokyo Electric Power. Euroyen bonds for Japanese companies have so far been rare, and the lead-manager said the borrower had been able to achieve a cost saving of more than 50 basis points compared with an issue in the domestic bond market.

The issue appealed to Japanese and European investors alike because of its size and the quality of its name. The 4⅞ per cent bond, with an issue price of 101½, was bid at about ½ point inside its 1⅞ per cent commissions.

IBJ International led a Y13bn bond for Osterreichische Kontrollbank. The issue was expected to appeal to European investors, although the market's initial reaction was to call the pricing a shade tight. It has a six-year maturity, 5 per cent coupon and 102½ issue price. It was quoted at discounts close to its total fees.

One new issue surfaced in the Eurodollar fixed rate market: a $125m five-year bond for the French state agency Cepme led by Banque Nationale de Paris. In yesterday's listless market, this failed to excite dealers although they thought its pricing was reasonable.

Priced at 101½ with a 7¼ per cent coupon it gave an initial yield margin over US Treasury bonds of 53 basis points. It was quoted at a bid price of 99.35, compared with 1⅞ per cent fees.

Warburg Securities led a $50m convertible issue for Cellular Communications, the Ohio-based mobile telephone company. The deal was in fair demand yesterday, quoted a bid price of 101, against a par issue price.

The 15-year bond, priced at par, carried an indicated 6 per cent coupon. The conversion premium will be set at between 18 per cent and 22 per cent over the share price when final terms are set on or before February 27. There is a call option at 106, and then at declining premiums, and investors will be able to put the bonds in the sixth or the seventh year at a price to give a 7½ per cent yield.

Warburg Securities also announced a A$40m five-year bond for Genossenschaftliche Zentralbank. The 15 per cent bond was priced at 101⅞. This was quoted at 99⅞ bid, within 2 per cent fees.

Union Bank of Switzerland (Securities) led a novel deal named Receipts for Government of Canada Bonds (RGCB). The C$100m issue, which matures in May 1994, is created by passing through the interest and principal on the underlying Canadian Government issues.

In the Euro-DM bond market, prices dropped by up to ½ point on average.

A DM 2bn 10-year 6¼ per cent bond for the Federal Post Office, priced at par, traded at about 99 offered.

Deutsche Bank led a DM 300m 5¾ per cent bond for itself, issued in the name of Deutsche Bank Finance. The six-year deal, priced at 100¼, traded at around less 1⅞ bid.

Dresdner Bank led a DM 200m seven-year 6¾ per cent issue for the National Bank of Hungary, its third international bond in recent weeks.

The deal, priced at 100¼, was bid at discounts

Tokyo utilities tap Euroyen market

BY YOKO SHIBATA IN TOKYO

ONEROUS ISSUING requirements and time-consuming procedures in the domestic straight corporate bond market have driven two Japanese power companies to raise funds through the Euroyen bond market.

Tokyo Electric Power, which claims to be the world's biggest electrical utility, yesterday launched a Y60bn bond. This is the largest Euroyen issue for a Japanese borrower so far. Chugoku Electric Power is expected to make a Y15bn Euroyen issue in March.

If other power companies follow suit by issuing Euroyen bonds to fund their capital investment plans—which amount to over Y3,000bn ($19.5bn) a year in aggregate — the rapidly growing Euroyen bond market will gain even more business at the expense of the domestic market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	250	98⅞	99⅛	-0⅛	+0⅛	7.89
A/S Eksportfinans 7⅝ 93	100	99	99½	-0⅛	-0⅛	7.76
Australia Com. 11 95	300	126⅞	126⅝	-0⅛	0	6.18
Austria 7⅜ 97	200	98½	99	—	—	7.94
BP Capital 9⅛ 94	150	107⅝	107⅞	-0⅛	0	7.73
British Telecom 7⅞ 96	250	97¼	97⅝	0	0	8.02
Campbell Soup 10½ 95	100	112½	113	0	-0⅛	8.34
Canada 9 96	1000	107½	107⅞	-0⅛	-0⅛	7.83
Canadian Pac. 10¼ 93	100	†108¾	109¼	-0⅛	0	8.21
CCCE 7¾ 91	115	99	99⅛	-0⅛	-0⅛	7.31
CNCA 7¼ 91	150	99⅛	99½	+0⅛	+0⅛	7.37
Citicorp 8¼ 93	200	99	99½	-0⅛	-0⅛	8.39
Credit Lyonnais 9 91	200	105⅛	105½	-0⅛	-0⅛	7.40
Credit National 9¼ 93	100	108⅛	108⅝	+0⅛	+0⅛	7.78
Credit National 7¼ 91	150	99⅛	99⅝	-0⅛	-0⅛	7.40
Denmark Kingdom 7⅛ 92	500	97¾	98	0	+0⅛	7.65
Denmark Kingdom 8¼ 91	300	102¾	102⅞	-0⅛	-0⅛	7.50
EEC 7 91	300	98⅞	99⅛	0	+0⅛	7.21
EEC 8¼ 96	100	102⅝	103⅛	-0⅛	-0⅛	7.78
EEC 8⅝ 91	350	104⅞	105⅛	-0⅛	-0⅛	7.31
EIB 7⅝ 93 A	100	99⅝	100⅛	0	0	7.62
EIB 7⅝ 93 B	100	99⅝	100⅛	+0⅛	-0⅛	7.64
[illegible] 7¼ 91	100	101¼	102⅛	-0⅛	-0⅛	7.32
Finland 7⅞ 97	200	99¼	99⅝	-0⅛	0	7.85
Finland 7½ 93	200	98¾	99⅛	-0⅛	-0⅛	7.69
Ford Motor Cred. 10½ 91	150	110⅛	110⅝	0	+0⅛	7.76
Ford Motor Cred. 11¼ 90	100	110⅛	110⅝	-0⅛	0	7.37
Gen. Elec. Cred. 10¼ 00	200	†106⅞	106⅞	-0⅛	-0⅛	9.38
GMAC 10¼ 89	200	106¼	106⅝	-0⅛	-0⅛	7.09
GMAC 8½ 93	200	102¾	103¼	-0⅛	-0⅛	7.87
IADB 9⅞ 95	200	111¼	111⅝	-0⅛	-0⅛	8.02
Liberty Mutual 8½ 95	150	102¼	102¾	-0⅛	-0⅛	8.16
LTCB of Japan 8 91	100	102¼	102¾	0	0	7.30
Merrill Lynch 8¼ 91	150	103⅝	104	-0⅛	-0⅛	7.39
Mercds.-Benz Cred. 7⅞ 93	100	101⅝	101⅞	0	+0⅛	7.24
Mitsubishi Fin. 7⅜ 93	100	97⅝	98⅛	-0⅛	0	7.99
Mutual America 7⅞ 92	150	99⅞	100⅛	0	+0⅛	7.59
Nisshin Steel 7⅞ 92	70	*†100	100	0	-0⅛	7.62
Norway Kingdom 7¼ 91	500	99⅞	100¼	-0⅛	-0⅛	7.23
Pepsico Inc. 7⅞ 93	200	98¾	98⅞	0	+0⅛	7.65
Qantas Airways 10⅝ 95	140	112⅞	112⅞	-0⅛	0	8.22

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Yorkshire Intl. 6¾ 01	200	†93¾	94½	+2⅞	2⅞	6.90

Average price change on day 0 on week -0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅜ 96	100	*†105⅛	105⅝	0	-0⅜	4.95
Amer. Corp. 5¼ 02	200	†91	91¼	-0¼	-0¾	6.21
Baker Int. 4½ 96	200	†90	90½	+0½	+0½	5.49
Carlsberg 5 96	80	†105	106	-0¼	+1¼	4.28
Chujitsuya 5¼ 94	50	†103½	103¼	0	+0½	4.78
Deutsche Bk. Fin. 5⅜ 95	100	†106¼	107	-0⅛	-0¾	4.36
Gen. Occidentale 4½ 94	80	†156	156½	-2½	-2¼	-2.07
Glendale F. S. & L. 5½ 95	100	†102½	103½	-0¼	-0⅝	5.05
Humana 5¼ 98	120	†98	98¼	+0¼	+0½	5.35
Industrial Credit 5¼ 96	75	*†100⅝	100⅝	0	0	5.46
Japan Dev. Bk. 5⅛ 97	100	†103½	104	-0⅛	-0¼	4.66
Oberos. Kftwk. 5⅜ 95	100	†103½	103¾	+0½	-0¼	4.82
Olivetti Intl. 5½ 95	100	†105	105¼	+0¼	-0½	4.74
Pepsico 5¼ 95	130	†105	105¼	+1	+0¼	4.49
Prov. of Manitoba 4¾ 94	200	†100¾	101	0	-1	4.61
Ralston Purina 5⅜ 94	125	†102¾	103¾	+0⅛	-0⅞	4.86
Settsu Euro. 0 01	100	*†46⅝	46⅝	0	0	5.59
Tohoku Elec. Pwr. 4⅞ 96	150	†98¾	99	0	-1¼	5.02
USX Corpn. 5¼ 98	100	*†96⅞	96⅞	0	+1¼	6.20
World Bank 5¼ 94	150	†105	105½	0	-0½	4.92

Average price change on day 0 on week -0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Daiwa Bank 2¾ 00	10/85	1442	242	244	-16	-5.88
Sumitomo Bank 2¾ 00	8/85	2142	243½	245½	-10	1.62
Toshiba Ceramics 3 00	4/85	1734	120½	121½	+0⅛	7.29
Nippon Oil Co. 2⅞ 92 SFr	3/84	1001	†130	131	+3½	2.41
Yokohama Bank of 2⅞ 01	10/86	1045	133⅞	135⅝	-11⅝	-9.64

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Strong British profits help boost News Corporation

BY CHRIS SHERWELL IN SYDNEY

STRONGER BRITISH earnings, increased investment income and new contributions from US film and television interests have combined to push turnover and profits to record levels at News Corporation, the Australian multinational media group controlled by Mr Rupert Murdoch.

Figures for the six months to December showed an 83.2 per cent rise in pre-tax operating profits to A$301m (US$200.1m). Turnover was 55.5 per cent higher at A$2.63bn.

Net profits were up 39.6 per cent to A$182.8m. After extraordinary items the figure was A$190m.

A breakdown of trading profits showed US operations improving from A$99m to A$233m with the inclusion of results from Twentieth Century Fox film and Fox television stations. Neither were subsidiaries in the first half of 1985-86.

Operations in Britain showed a rise in trading profit from A$76m to A$132.5m, thanks to cost savings from the Wapping printing facility for The Times, News of the World and Sun newspapers.

News Corporation added yesterday that this month's settlement of the Wapping dispute would enable it to reduce delivery and security costs and would allow faster completion of its production and administration facilities.

A third factor contributing to profit came in the form of dividend income, which jumped from A$1.5m to A$33.5m. Interest on borrowings, however, also increased, from A$86m to A$169m.

The only weaker performance came from Australia, where profits were down from A$47m to A$43.6m, largely because of reduced advertising revenues.

Regarding the current takeover of Herald and Weekly Times, the Melbourne-based media group, News Corporation said it had received acceptances for 99.6 per cent of shares and would complete the takeover with a compulsory acquisition of the remainder.

HWT would, as a result, become a subsidiary from March 1. Similarly, the South China Morning Post, the Hong Kong newspaper also taken over recently by News Corporation, would become wholly-owned on March 7.

On developments in the US, a company statement said the Fox broadcasting company now had around 100 affiliated stations and would "further implement its plans for the fourth network in the US with additional programming in early April."

Smorgon plans two can plants

BY OUR SYDNEY CORRESPONDENT

SMORGON Consolidated Industries, the Australian family-owned steel and packaging group, yesterday announced an A$80m (US$53.2m) investment in two plants to manufacture new lightweight steel cans with material from Broken Hill Proprietary (BHP), the country's principal steel producer.

The move, a bid to break into a A$300m local market dominated by aluminium products, is the result of technological developments by BHP in steel-for-cans—notably a Presto single-action steel can end, believed to be a world first.

Mr David Smorgon, a director of the company, said the new two-piece steel can would mean significant cost benefits to beverage manufacturers. It also offered a chance for steel cans to gain a share of the 2.3bn-unit local market and an opportunity to develop export markets.

The two plants will each cost A$40m and employ about 100 people. One will be located in Melbourne, the other in Sydney. Total capacity will be 1bn beverage cans annually, and production is expected to be under way by next year.

BHP has already signed licensing agreements with international can manufacturers for its technology, and is currently negotiating others.

For Smorgons, the deal represents an extension of its packaging interests in glass, paper, plastics and other materials.

Palabora ahead at pre-tax level

By Our Johannesburg Correspondent

HIGHER rand-denominated copper prices offset a fall in volume sales last year by Palabora, South Africa's principal copper mining company.

Sales of copper dropped to 115,696 tonnes from 118,628 tonnes. Turnover was not disclosed, but pre-tax profits rose to R233.7m ($112.3m) from R194.4m.

Palabora, which is managed by Rio Tinto-Zinc, operates an open-pit mine in the northern Transvaal and produces magnetite, vermiculite and precious metals in addition to copper. Open-pit operations are planned to continue beyond the mid-1990s and be replaced by underground mining after that.

Four dividends totalling 260 cents a share have been declared from per share earnings of 359 cents. In 1985 earnings were 304 cents and the total dividend 180 cents.

Japan's top steelmakers to reduce dividends

BY YOKO SHIBATA IN TOKYO

JAPAN's five leading steelmakers intend to clip their annual dividends by Y2 for the year to March, to pay Y3 per share each.

As a result of the yen's steep appreciation and the consequent deflationary squeeze on the domestic economy, the five are expected to show combined operating losses of Y400bn ($2.6bn) for the year, including Y120bn for Nippon Steel.

They will fund the dividend payments by selling securities and dipping into internal reserves. In the light of cuts in the volume of output and falling market prices, they are thought unlikely to swing back to the black for the next fiscal year.

By unloading a large volume of portfolio securities, the companies hope to confine pre-tax losses to Y12bn for Nippon Steel, Y10bn for Kawasaki Steel, Y5.5bn at Nippon Kokan, Y15bn by Sumitomo Metal Industries and Y10bn for Kobe Steel.

Earnings setback for Renown

RENOWN, the largest manufacturing company in Japan's garment industry, suffered a 26.4 per cent fall in pre-tax profits last year to Y8.81bn ($57.36m), writes our Tokyo staff.

Renown attributed the poor performance primarily to a 10 per cent fall in sales made through volume outlets. Women's wear continued to increase, but men's and children's wear was sluggish.

Turnover of Y214.5bn was down 3 per cent. Renown will pay an unchanged annual dividend of Y12.50.

Foreigners in rush for MISC shares

By Wong Sulong in Kuala Lumpur

MALAYSIAN International Shipping Corporation (MISC) was given an enthusiastic reception when it made its debut on the Kuala Lumpur Stock Exchange yesterday as foreign investors mopped up the shares. Compared with its offer price of 2.4 ringgit, it closed at 5 ringgit, giving a market capitalisation of 2.5bn ringgit ($982m). This makes it the biggest Malaysian listed company after Sime Darby.

Some 15.89m shares were transacted, and stockbrokers said foreign buyers were active, after being excluded from the flotation. Arab-Malaysian Merchant Bank, which handled the issue, said it had inquiries from foreign institutional investors willing to take up as much as 10 per cent of the equity.

● Promet, the troubled Malaysian-Singapore oil rig, engineering and construction group, is negotiating with its creditor banks on a rescheduling scheme which will allow a new lease of life. As a first step, the two parties agreed at the high court yesterday to dissolve an injunction stopping the 17 banks from winding up Promet and its subsidiaries.

First Pacific offer for Philippine bank

FIRST PACIFIC Holdings, the Hong Kong financial group, is offering to arrange the takeover of Associated Bank of the Philippines in a deal worth US$20m, Reuter reports from Hong Kong.

Mr Manuel Pangilinan, First Pacific managing director, said it has contacted the Philippine central bank and Development Bank of the Philippines, which owns 97 per cent of Associated Bank, on a plan to acquire a 40 per cent stake and to line up a group of Philippines investors to buy the remainder.

First Pacific would acquire Philippines national debt and convert it into equity in Associated Bank, under a governmental programme.

First Pacific reported a 41.5 per cent rise in net profits for 1986 to HK$95.2m (US$12.2m).

Rights issue from Equiticorp HK unit

CAPITALCORP International, a Hong Kong offshoot of the New Zealand-based Equiticorp Holdings, is to launch a one-for-two rights issue to raise some HK$401m (US$51.4m), Reuter reports from Hong Kong.

The parent is to subscribe for its entitlement, at HK$2 a share, and will underwrite for the balance.

ERA advances 30% in first half

ENERGY RESOURCES of Australia (ERA), the uranium producer, boosted net profits 30.5 per cent in the first half to December to reach A$33.31m (US$22.14m), our Financial Staff writes.

Turnover ahead 26.1 per cent to A$141.15m reflected a 25.8 per cent increase in uranium oxide deliveries from its Ranger project in the Northern Territory, to 1,769 tonnes. Shipments in the current half are, however, expected to be at a lower rate.

Interest charges declined to A$14.87m from A$19.36m. The interim dividend is maintained at 5 cents per share.

Lithographic side behind profits surge at Vickers

Vickers, which derives most of its income from Rolls-Royce motor-cars and lithographic plates and supplies, continued to progress through the second six months of 1986 and for the full year raised its profits by 20 per cent to £54m pre-tax.

The only proble marea was marine engineering, where profits fel lby £3m. However, the directors, headed by new chairman Sir David Plastow, said yesterday that the division should improve its position in the current year following the acquisition of KaMeWa in 1986.

They said the outstanding achievement of the year was in lithographic plates and supplies where turnover improved by 14 per cent and profits by 59 per cent to £17.5m.

The Rolls-Royce operation increased its profits contribution by 7 per cent, also to £17.5m. However, there was considerable production change during the year with the introduction of the revised model.

In all, group sales for 1986 pushed ahead from £611.2m to £691.8m, an improvement of 13 per cent.

Earnings worked through 4.4p higher at 40.7p per £1 share and in view of the continuing improvement in the results shareholders are to receive a 2p life in their dividend to 15p net via a final of 9p.

The directors are proposing to split the shares into 50p units and planning a scrip issue on a one-for-four basis.

A divisional breakdown of turnover and pre-interest profits for the past year shows: Rolls-Royce Motors £175.1m (£175.8m) and £17.5m (£16.4m), lithographic plates and supplies £135.4m (£118.2m) and £17.5m (£11m), business furniture £106.2m (£84.7m) and £6.4m (£6m), marine engineering £87.6m (£70.6m) and £1.3m (£4.3m), defence and aerospace £82.8m (£69.5m) and £9.2m (£6m), medical and scientific equipment £49.6m (£34.4m) and £4.7m (£4m) and other activities £49.6m (£36.5m) and £3.1m (£1.5m).

Net interest payable, less investment income, accounted for £5.9m, down from last time's £6.7m.

Tax rose by £3.3m to £14.7m and there were minorities this time of £0.3m.

There was also an extraordinary provision of £7.9m, compared with a previous credit of £8.5m, which left shareholders' profits £11.1m behind at £31.1m.

The directors said that defence systems had concluded deliveries on the second contract for Nigerian tanks and, with the addition of the former Royal Ordnance tank facility at Leeds, Vickers was now the only tank manufacturer in the UK, with good prospects for future years, and an exceptionally wide range of armoured fighting vehicles.

The medical and scientific equipment division had a steady year, limited in the latter sector by the depressed semi-conductor industry. Here again the acquisition in October of Air-Shields, the world leader in neonatal equipment, consolidated Vickers strong position in the medical sector and augurs well for 1987.

Group profit per employee in 1982 worked out at £750. By 1986 the figure had grown to £3,400 The group had now established itself in international markets and today 66 per cent of sales are overseas

The results for 1986 were in line with City expectations and by the close of business yesterday Vickers' shares were showing a 2p plus at 507p.

See Lex

All-round progress at DPCE

DPCE Holdings, the independent computer maintenance group, continued to make good progress in the first half of the current year, with pre-tax profits up 36 per cent from £1.88m to £2.55m.

At the operating level, profits for the six months to December 31, 1986 increased 53 per cent to £2.29m. Revenue was up 52 per cent at £18.53m (£12.16m). These figures included the full half year results of Systec Inc, the US maintenance company acquired last December. Comparatives have been restated.

Net interest receivable for the period fell from £389,000 to £268,000, reflecting considerable expenditure made to provide for future growth. This includes the cost of establishing new subsidiaries in Germany, France and Canada, plus acquisition in Europe and the US.

Mr Colin Clive, the chairman, said all group subsidiaries had expanded and profitability had improved in all companies over the period, with the second quarter showing an advance in net margins over the first quarter.

With first-half earnnigs per 5p share ahead from an adjusted 3.3p to 5.4p, the net interim dividend is in effect raised from 0.48p to 0.58p—last year's final was 1.32p.

Commenting on the current trading position, the chairman said "the fruits of DPCE's considerable investment in expansion are starting to come through. Profitability is improving and prospects for the second half of the current financial year are excellent."

The first few weeks of 1987 have seen further acquisitions. In the UK, DPCE acquired a 50 per cent holding in CIL Engineering, a company specialising in the provision of independent maintenance and engineering services for users of Borroughs (Unisys) computer systems.

In the US, the company purchased the eastern seabord maintenance customer base of Global Ultimac Systems, a company supplying and supporting IBM-compatible processors and peripherals.

After tax of £1m (£805,000) and minorities, the attributable surplus came out at £1.48m (£1.04m). Profit included £143,000 (£55,000 loss) in respect of Systec, all of which is for the period prior to the merger.

● comment

DPCE's 36 per cent pre-tax profit increase uncharacteristically fell short of the 40 per cent the City has come to expect, but the setback—in any case a small one—looks no more than temporary. The first half saw DPCE dipping heavily into its cash pile, not just to find £500,000 for its Belgian acquisition but also to clear out £1m of loans which came with Systec. Further, the UK maintenance operation, which a year ago was going through a management upheaval, sharply accelerated its order intake with consequent up-front costs. The second half should bring the benefits of these investments and enable the group to produce at least £6m on a merger accounting basis, so although the last full year's pre-tax figure of £3.95m will be restated to £4.2m, DPCE should find little difficulty in beating that 40 per cent target. With the shares off 3p at 340p, the prospective p/e looks slightly hair-raising at 26, but the market views the growth rate as strong enough to justify the premium.

T & N in talks over SA offshoot

BY JANICE WARMAN

Turner & Newall, the mining and engineering group, is in discussion with the Swiss group Eternit over the future of the building materials operations of Turner & Newall Holdings, its South African subsidiary.

Mr Colin Hope, managing director of T&N, said its 51 per cent-owned Turner & Newall Holdings, and Everite, 36 per cent owned by Eternit, were the two largest fibre cement building products companies in South Africa.

He said some rationalisation between them would make sense, but emphasised that any deal would not result in a change in control of either company.

He said the necessary approvals were not expected before March 17.

In April 1986 T & N reduced its interests in its South African subsidiary from 78 per cent to 51 per cent.

The discussions represent a further move by T & N to reduce its investment in its asbestos cement holdings after recent court cases in the US and the UK alleging asbestos-related diseases.

Last year it merged its UK fibre cement building product activities with those of Cie Financiere Eternit SA of Belgium and sold its 60 per cent holding in Turner Building Products (Emene), its Nigerian cement production company.

AE, the engineering company which T & N acquired after a fierce bid battle last year, has a 78 per cent holding in a South African engineering group.

Turner's shares closed 3p lower at 251p.

Cambrian in $20m investment write off

By Clive Wolman

Cambrian & General Securities, the investment trust that was set up as an arbitrage vehicle by Mr Ivan Boesky, the disgraced New York financier, has written off as a loss its entire $20m investment in the principal Boesky investment partnership.

The largest investor in the partnership, with a $100m (£65m) stake, was Guinness the drinks company, which has become the subject of a Government investigation partly as a result of its involvement with Mr Boesky last spring.

The Guinness management, under the former chairman and chief executive, Mr Ernest Saunders, previously claimed that it expected to recoup all its original stake. But Mr David Hobson, who took over from Mr Boesky as Cambrian chairman in December, said yesterday that its auditors, Peat Marwick Mitchell, suggested that Cambrian's investment be treated as worthless for accounting purposes because of the partnership's legal and other problems.

However, Cambrian, whose accounts for the year to September 30 were published yesterday, has decided not to make any provisions for litigation against the company, arising from the insider dealing charges being brought against Mr Boesky.

In a letter to shareholders, Mr Hobson says that the claims for damages against Boesky companies may lead to protracted litigation but will not necessarily be successful. In any case, such claims may be met out of a $50m funds set up by the US Securities and Exchange Commission from money paid to it by Mr Boesky.

In the year to September, Cambrian's reported net asset value rose from £81.6m to £105.9m. The NAV per capital share rose from 160p to 238p. In the last quarter of 1986, the NAV rose to £110.7m after borrowings were reduced from £215m in September to £50m by the year end. The trust is now following a more conventional investment policy.

The 1985-86 accounts also show that the investment management fee and other expenses that were paid by the company to Mr Boesky were £2.01m, up from £1.45m in 1984-85.

See Lex

River & Mercantile

Net asset value per 25p share of the River & Mercantile Trust improved from 177.9p to 212p during the 12 months to December 1986. Net revenue for the period rose by £338,000 to £3.03m after tax of £1.33m against £1.29m.

Earnings per share amounted to 6.21p (5.51p) and a final dividend of 4.2p lifts the total by 0.7p to 6.2p net. Projections showed that the company would be in a position to recommend at least 7p for 1987.

In the current climate it continued to favour UK and US stock markets.

Mike Smith on Hepworth Ceramic's approach to Birmid

Facing up to a spot of bovver

BIRMID QUALCAST, the engineering company which used to sell its lawnmowers by telling TV viewers "it's less bovver than a hovver," is today faced with a spot of aggravation itself.

The Qualcast lawnmowers to Potterton boilers group has for years been considered a likely target for a takeover attempt.

This weekend the speculation seemed justified when Hepworth Ceramic Holdings, the building products group, announced it was seeking a merger.

Birmid responded quickly: it said it did not welcome Hepworth's recent purchase of a 4.9 per cent stake in its equity, it saw no synergy between the two groups and it would strongly resist any takeover attempt.

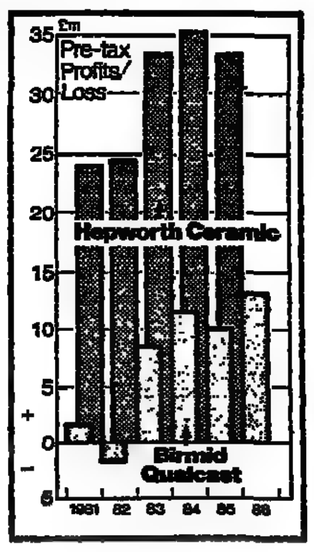
Senior management of the companies are meeting tomorrow but stockbrokers' analysts who follow Birmid believe Hepworth will have to launch a hostile takeover bid if it is to win control.

It is also likely that other companies are taking a long, hard look at Birmid's strengths and weaknesses.

Among the groups rumoured to have been interested in Birmid in the past are Metal Box and Williams Holdings. Mr Robert Maxwell, publisher of Mirror Group Newspapers, also has well known ambitions in the engineering sector.

The recent histories of Birmid and Hepworth show considerable similarities. Both have installed new men at the top during the last year or so, both suffered in the mid-1980s because of declining markets—in Birmid's case for its iron foundry products and in Hepworth's for its building equipment products. Both rationalised as a result; and both are now increasing pre-tax profits by about 30 per cent annually.

Hepworth has constantly been expected to launch a big takeover bid ever since its attempt to take over Steetley, the construction group, was blocked by the Monopolies Commission almost exactly three years ago today.



Professor Roland Smith, chairman of Hepworth

The chances were increased by the appointment in the middle of last year of an ambitious management team in the shape of Professor Roland Smith, chairman, Mr Sinclair Thomson, chief executive, and Mr Alan Emson as finance director.

The main business of Sheffield-based Hepworth is manufacturing vitreous clap pipes for sewer and drainage systems but it also supplies industrial sands, manufactures refractory bricks for blast furnace linings and extrudes plastics into pipes, guttering and bathroom furniture.

The problem is that its main markets—construction for pipes, glassmaking for sands and iron and steelmaking for refractories—are either declining or static.

In the three years to 1985 pre-tax profits have been steady at around £34m.

Figures due to be announced next month for 1986 will show that the labour shedding and investment in new technology in recent years is beginning to pay off. Analysts are expecting pre-tax profits of about £43.5m with more than £51m in view for 1987.

Impressive though that may be it is unlikely to satisfy the ambitions of Professor Smith and Mr Thomson. For more dynamic growth they will have to look outside the company, however.

Mr Thomson will be attracted to Birmid by its strengths in consumer products. Before moving to Hepworth he ran TI's successful domestic appliance business.

He sees Birmid and Hepworth as an excellent fit. Nobody at Hepworth was available for comment on the proposed merger last night but analysts say the company sees synergy in a building products group which would take in both group's sanitary wares divisions, the Potterton boilers and clay pipes.

There would also be advantages in combining Hepworth's sand businesses with Birmid's foundries in one division.

It is in foundries that Birmid has its roots. It is largely for this reason that last year's pre-tax profits of £13.1m were little better than those of 10 years ago. Then, foundries accounted for about £8.1m of the group's £13m operating profits but last year they contributed just £3.2m to a total £14.3m.

The main problem has been the same as that for the foundry industry as a whole: declining demand from the car manufacturers. Prior to its recent recovery Birmid was a classic case of a Midlands company growing and declining with the motor industry.

Its salvation has been lawnmowers and boilers. In 1986, the heating division and the home and garden equipment each contributed about £6.3m to the group's operating profits.

The company is bullish about future prospects. Following heavy rationalisation of its foundries it believes the division, which exports about 20 per cent of its output, is well placed to take advantage of weakness of sterling.

Both the heating division and the homes and gardens equipment division are expected to show considerable growth during the next few years and the recent disposal of £1.6m of pre-tax losses in the engineering division will also boost the company's performance.

For this year the City is expecting a pre-tax profit of about £16.5m with £19m in prospect for 1988.

At yesterday's closing share price 256p, up 44p, Birmid is capitalised at £173m. Hepworth, which is worth £336m at yesterday's 214p clearly has a job to convince Birmid's management — led by Mr Peter Prateley, managing director, and Mr Ronald MacPherson, chairman —of the value of a merger. It could also face problems persuading the City.

The feeling among analysts yesterday was that although it was easy to see how Hepworth could benefit from a union the advantages to Birmid were less obvious.

"There is obviously some common ground between the two groups but at first sight they do not represent a perfect fit," one analyst said yesterday. "For example Birmid's lawnmowers would presumably be an add-on for Hepworth.

"The new management team at Hepworth has done well but the Birmid team looks up to the job too. They seem to know what they are doing."

Rival plans emerge for EFT

RIVAL PLANS for the future of *Edinburgh Financial Trust*, the small Scottish investment trust where a consortium, headed by the New Zealand entrepreneur Mr Bruce Judge, holds a 21.3 per cent stake, emerged yesterday. At the same time the trust reported a fall in net assets from £12.5m to £10.7m in 1986.

Non-executive directors of the trust, together with the two new board appointments, Mr Hugh Barry and Mr Hamish Grossart, both previously directors of Noble Grossart, believe the company should give up its investment trust status, liquidate the bulk of its portfolio and concentrate on financial services.

The scheme has the support of EFT's largest shareholders.

However, shareholders are also being notified of resolutions from Judge Corporation that the existing board be removed and replaced by six new directors.

The Judge consortium includes Checkpoint Hong Kong, Lord Tanlaw's 1965 Settlement, and Waverley Asset Management, a three-year-old Edinburgh fund management group in which Judge and Checkpoint hold about 30 per cent.

Waverley has already approached EFT with the rival plan, involving the raising of £8m-£12m new capital and a policy of acquiring strategic stakes in growth companies.

During 1986, EFT saw a 16 per cent fall in net asset value from 48p a share to 40.5p. This was attributed to a £1.15m loss on gilt futures, a writedown in the value of oil and gas subsidiaries amounting to £477,000 and a £595,000 write-down on unquoted property investments.

The final dividend is cut from 0.7p to 0.1p making a total of 0.6p (1p).

Smith & Nephew in $55m US disposal

BY JANICE WARMAN

Smith & Nephew Associated Companies, the medical and health care company, is to sell its wholly owned US subsidiary Smith & Nephew Anchor Inc to two employees in a $55m management buyout.

The group will use the initial $35m cash consideration to reduce borrowings incurred with the $284m purchase of Richards Medical of the US last year.

Anchor is based in Columbia, South Carolina, and produces industrial pressure sensitive tapes. It was acquired by Smith & Nephew in 1979 for $18m, the company's first major US investment.

It was intended to help develop the manufacture of its hospital products, many of which involve adhesive technology. But Smith's next two acquisitions, Affiliated Hospital Products in 1985 and Richards in 1986 meant the company no longer needed to manufacture traditional hospital products in the US.

Smith will receive a $5m 15 per cent promissory note, and $10m of 9.3 per cent redeemable preferred stock in the newly named Anchor Continental.

It will retain 10 per cent of Anchor's common stock which Anchor is required to repurchase for an additional consideration of up to $5m on March 1, 1996.

Finance for the $35m cash consideration will be provided by a loan from Security Pacific Corporation.

Smith produced profits up 22.5 per cent to £58.2m for the nine months to October 4 1986, with earnings per share up 18.8 per cent to 4.68p.

An extraordinary general meeting will be held on Wednesday, March 11 in London.

Electronic Machine

Electronic Machine Company, Surrey-based optical systems, tracking radar and electronic devices concern, reported a pre-tax loss of £12,284 for the year ended September 30 1986, aaginst a £30,128 profit previously. The loss was after charging an exceptional provision of £32,707 for the write-down of stocks.

There is no dividend (0.7p net last year). Stated loss per 5p share was 0.48p (1.2p earnings).

Last month, trading in the company's shares was resumed — after being suspended at 85p in November — when EMC announced that discussions which could have led to a major acquisition had been terminated.

The company said yesterday that it was still exploring the possibilities for expanding the group by acquisition. EMC shares fell 6p to 55p at the close.

Turnover for the year under review was £2.16m (£1.93m). Tax credit was £589 (£616 charge) and there was also an extraordinary credit of £21,183 this time.

Blue Circle

Adelaide Steamship has reduced its holding in Blue Circle Industries by a further 2.1 per cent to 6.85 per cent. The Australian investment company now has 8.825m Blue Circle shares, down from the late December peak of 11.5m.

Debron shares suspended on bid approach

Shares in Debron Investments were suspended at the company's request yesterday, pending an announcement concerning a possible offer for the issued share capital.

The Worcester-based company, formerly known as Carpets International, said the board had received an approach which may lead to a recommended offer for the shares.

Before it sold its main carpet business to the John Crowther Group in September 1985, the company was one of Britain's largest carpet producers.

Last November Debron acquired the US office fabric manufacturer, Guilford for $95m (£66m) in cash.

Debron's main investment besides Guilford is Interface Flooring Systems.

The company returned a pre-tax profit of £950,000 from a turnover of £46.2m in 1985.

CAP in £1m buy

CAP, the information systems company, yesterday announced the acquisition of London Regional Transport's business services division for £1.13m.

The division, which employs 91 staff, is responsible for LRT's computer systems and software development. Under CAP it will continue its work for LRT on a contractual basis, but also offer services to other public transport systems.

The acquisition is being paid for in cash in two instalments.

CAP already has experience in transport and distribution sectors including work for British Rail signalling. It is also involved in information processing, training and control systems for Dutch state railways.

UK COMPANY NEWS

Bunzl interest lifts Norcros share price

BY NIKKI TAIT

SHARES IN Norcros, the building products, print and packaging group, jumped 60p to 350p yesterday after it revealed that Bunzl — the highly-acquisitive paper and plastics manufacturer — had built up a 2.6 per cent stake in its equity.

The stake is held by a Bunzl subsidiary, Bunhill Investment, through 21 separate accounts. Norcros said it came to light after routine checks on a number of nominee holdings.

According to Norcros's chief executive, Mr Terry Simpson, there has so far been no contact over the matter—other than formalities—between the two companies.

However, Bunzl has said that it will not take any further action without informing the Norcros board first.

Commenting on the possible reaction to a hostile bid, Mr Simpson added: "We would not welcome a bid from anyone—not least from Bunzl."

Mr James White, chief executive of Bunzl, refused to comment on the group's intentions. He did, however, add that the stake had been bought over a number of weeks and that Bunzl felt that "the price was rather undervaluing the group's prospects."

The two companies, he pointed out, had a number of interests in common—specifically in the printing and packaging and in distribution fields.

At yesterday's closing price, Norcros is valued at £436m.

Norcros, whose interests include ceramics, builders merchanting business UBM, printing and packaging and property investment, recently reported an increase in first half pre-tax profits from £18.5m to £20.1m—slightly below City hopes. In the last full year it made £45.1m.

Barbour Index comes to market with £17m value

BY RICHARD TOMKINS

BARBOUR *INDEX*, a publisher of specialist information to the construction industry, is coming to the stock market through a placing which will give it a market capitalisation of £17.5m.

Laurence Prust, the stockbroker, is placing 900,000 shares — *just over 11 per cent of the* equity — at 215p each. All the £1.94m proceeds will go to existing shareholders.

Barbour is headed by Mr Patrick Barbour, who is also chairman of Microgen, the quoted microfilm bureau.

The business was founded in the 1930s. Its main activity is supplying information about building products to professionals in the construction industry such as architects and surveyors.

The prospectus shows pre-tax profits rising from £305,000 in *1982 to £1.49m in the year to last* October. The company has since changed its year end and it is coming to the market with a forecast of at least £1.6m for the year to this April. The prospective p/e ratio is 17.5.

Barbour says the volume of information in its specialist areas is expanding and the demand for access to it is increasing. It is confident that the market for its services will continue to grow.

Black raises Newbold bid

BY NIKKI TAIT

Peter Black Holdings, Keighley-based consumer goods manufacturer and importer, has raised the therms of its bid for Newbold & Burton Holdings, footwear maker, and won a *recommendation from the* board.

Black is now offering nine shares *for every 16 Newbold* or 100p cash, compared with last week's one-for-two or 90p bid. With Black shares down 2p at 181p yesterday, the offer values each Newbold share at 102p, and the company at £4.3m.

Family shareholders, together with directors, have given irrevocable acceptances in respect of 35.6 per cent of Newbold's shares. Peter Black currently holds no shares.

Peter Black said yesterday *that it planned to run Newbold* as an independent company within the group and to retain the existing management. It added that the Newbold range would fit well into Black's, giving the group a wide spread of footwear manufacturing.

Yesterday shares in Newbold added 9p to 100p, the value of the Black's cash alternative.

Thermal Scientific purchase

Thermal Scientific is paying £770,000 for Rosand Precision, which designs and makes a range of instruments for materials characterisation testnig, mainly in the polymer field.

There is an initial payment of £650,000 to be satisfied as to £450,000 in cash and 88,106 Thermal ordinary shares, valued at 227p each. In addition, two deferred payments of £60,000 will be made on the first and second anniversaries of completion. These amounts will be satisfied from Thermal's cash resources.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
DPCE	int.	0.58	April 20	*0.48	—	*1.8
Edinburgh Financial		0.1	—	0.7	0.6	10.
Electronic Machine		nil	—	0.7	nil	0.7
FII Group	int	3†	May 8	2.25	—	6.75
Fleming Enterprise	int	3	March 3	3	—	9
Global	int.	1.25‡	April 16	1	—	2.75
Vickers		9†	May 1	8	15	13

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOARD MEETINGS

TODAY

Interims:—Lee International, Murray Income Trust, Stonehill Holdings.

Finals:—Ashley Industrial Trust, Bullers, Capital and Counties, Continental and Industrial Trust, Foreign and Colonial Investment Trust, Ladies Pride, Lancashire and London Investment Trust, Alfred McAlpine, Metal Bulletin, Murray International Trust, National Westminster Bank, Prudential, Trencherwood, United States Debenture Corporation, Westwood Dawes.

FUTURE DATES

Interims:—

Flextech	Feb 26
Galliford	Mar 5
Highland Electronics	Feb 27
Lysander Petroleum	Mar 12
Macro 4	Mar 4
Miller and Santhouse	Mar 10
Remus	Feb 25
Scholes (George)	Mar 18
Synapse Computer Services	Mar 4
United Packaging	Mar 24

Finals:—

Blagden Industries	Mar 3
Braime (T. F. and J. H.)	Feb 27
Combined Lease Finance	Mar 23
Commercial Bank of Near East	Mar 3
Gen. Accident Fire & Life Ass.	Mar 4
Jebsens Drilling	*Mar 2
Johnstones Paints	Mar 3
Mamec	Mar 23
Newage Transmissions	Mar 3
Nichols (J. N.) (Vimto)	Mar 4
Olives Paper Mills	Feb 27
Rights and Issues Invest. Tst.	Mar 3
Watmoughs	Mar 18
Westwood Dawes	Feb 24
Williams Holdings	Mar 19
World of Leather	Mar 12

*Amended

Nomura to arrange Tokyo quote for Lonrho

By Stefan Wagstyl

Lonrho, the international trading company, is planning to raise up to about £50m via a share issue on the Tokyo Stock Exchange.

The *money would be used* "to consolidate short-term indebtedness" said the group *in a letter to shareholders* sent out with the 1986 annual report.

The company plans to issue up to 20m shares in Tokyo with the support of Nomura *Securities*, the Japanese investment house, which would sell the stock in Japan.

Lonrho says the amount raised would depend on market conditions at the time of the issue, which has not been announced. At yesterday's colsing price of 262½ ex-dividend, the gross maximum value of the issue would be £52.5m.

Lonrho *is* asking shareholders for permission to *increase* the company's authorised share capital at the annual meeting.

According to the annual report the group's long-term and short-term borrowings increased to £796.4m at the end of 1986 from £705.4m a year earlier. Shareholders' funds, excluding minority interests, stood at £613.6m ([illegible]).

The company's shares are already listed in London and Johannesburg. Lonrho has commercial links with cross-shareholdings with Nissho-Iwai, a Japanese trading company.

Petranol poised for expansion

BY JANICE WARMAN

Petranol, the UK oil group with a production base in the US, said it was in negotiation for an assets-for-shares deal which would substantially increase its activities. The unnamed suitor is thought to be Mr Hubert Perrado, a French multi-milionaire with substantial US oil assets.

Dealings in the company's shares were suspended at the company's request after they rose 10p to 60p on Friday.

Dr Norman White, Petranol's chairman, said he could not deny the report that the company was in negotiations with Mr Perrodo.

"But neither can I confirm it at this stage," he said. "I hope to make an announcement early next week."

"We are in negotiations and have been for some time. It is an asset for shares deal which will mean a substantial increase of course to shareholders' approval."

He said the board had been delighted with the shareholders' response to the £1m rights issue announced in January. "They took up 91.4 per cent—which encourages us that we will get their support for our latest deal."

Petranol's bid in October 1986 to double its size through a £6m rights issue and the acquisition of Apollo Energy, a private US oil group, was blocked by a small majority of shareholders.

These included Inoco, a fellow US oil company with a holding *of about 7 per cent, which* unsuccessfully attempted a takeove rearlier last year.

Inoco yesterday announced the resignation of its chairman, Mr Sankar Ramani. He was abroad and unavailable fo rcomment.

Mr Alan Milton, commercial director, said the company hoped to announce a successor within weeks.

Stanley Leisure expands

Stanley Leisure Organisation, the betting shop and casino group, yesterday added a further 22 betting shops to its portfolio making it the fifth biggest chain in the UK.

The company has acquired, for about £2m, the Viewstream *group which operates in the* Merseyside area and trades as A. J. Scofield Racing, bringing its total number of shops to 155.

The purchase is being financed through the issue of £400,000 in unlisted loan notes, £715,000 cash and 300,000 ordinary shares which closed yesterday at 288p.

The *exact price will depend* on the valuation of current assets and liabilities. The *company does not expect any* additional costs to exceed £150,000.

Pre-tax profits of Viewstream and its subsidiaries were £99,930 *for the year to April 26, 1986.* Net assets totalled £484,831 including freehold property valued at £118,250. Turnover was £7.8m.

UK COMPANY NEWS

Lotus blossoms and helps FII to £3m interim profit

WITH THE recently acquired Lotus hitting record figures and a 32 per cent advance from the existing undertaking, shoe maker FII Group lifted its pre-tax profit from £1.06m to £3m in the half year ended November 30, 1986.

The market reacted strongly, a 65p rise pushing up the shares to 460p.

Lotus was acquired at the end of last August in a £19m cash and shares deal with Burton. It expanded FII to the third largest shoe maker in Britain, and made it Marks and Spencer's biggest supplier of women's shoes and second largest supplier of outdoor footwear.

In just over three months since the purchase Lotus produced a record for any such period of nearly £1.6m pre-tax, while the existing businesses pushed ahead to £1.4m.

The directors reported that current trading was in line with budget and for the second half they were confident of building on the achievement of the "excellent" period under review.

On capital increased by the £17.3m net rights issue made to fund the purchase of Lotus the interim dividend is 3p net (2.25p), and the directors reaffirm their intention of paying a total of not less than 7.75p (6.75p).

FII is also engaged in the manufacture of medical and laboratory supplies. Both Denley Instruments and Fiona Footwear again turned in record results and contributed to an increase in group turnover from £8.74m to £21.28m.

Fiona, now fully operational in its purpose built factory in Bridgend, reached its highest ever production levels.

After tax £1.02m (£244,000 reflecting benefits of industrial building allowances) the net profit came to £1.99m (£816,000) for earnings of 21.6p (15p restated) basic and 20.2p (13.9p) fully diluted.

comment

Lotus eating was the symbol of ruin for many a turn of the century gentlemen, not so for the modern day FII Group. In one leap, financed by shareholders last August, the group has been transformed from a £2m (plus a steady £½m-a-year) pre-tax stock, to one that looks likely to increase earnings per share this year by two-thirds to over 50p. It has been the quick returns from the integration of Burton's Lotus shoes cast-off that is making the real difference. Lotus has lifted the company up to the £8m pre-tax mark for this year and maybe into double figures in the year after that. As Marks & Spencer's key supplier of women's shoes, FII expects to gain from the store chains floorspace expansion plans while growing its own branded products so as to prevent the M & S factor from rising much above 50 per cent of sales. In spite of yesterday's sharp rise to 460p, the shares are barely on a nine times earnings prospective rating, when a forward looking p/e of at least 10 seems well justified.

Global profit up 25% at midway

The Global Group, USM-quoted meat trading import/export business based in London's Smithfield Market, achieved a 25 per cent increase in taxable profits in the six months to November 30 1986.

The directors stated that trading conditions improved considerably during the period. They did not forsee any reversal of the trend in the second half and looked forward to continuing the group's positive momentum.

On turnover ahead from £17.65m to £20.21m, pre-tax profits rose to £216,000 (£173,000). After tax of £98,000 (£80,000) and minorities of £6,000 (£2,000), earnings per 10p share came out at 2.8p against 2.3p last time.

The interim dividend is increased to 1.25p (1p).

The directors added that the poultry division continued to gain market share and that own-label business was proving successful. Regional operations in the Midlands and in Wales expanded penetration of their local markets, while the French subsidiary, Global France (Alimentaires), had an excellent start to the year and is established as a major supplier to African and Middle East markets.

Peakburgers, the processed meat operation, continued to make a significant contribution to profits, they said.

However, the Barfrestone Cottage Delicatessen factories at Dover and Canterbury had experienced a slow period which resulted in overall trading loss.

Nevertheless, Global was considering several further acquisitions to broaden trading activities.

SHARE STAKES

Changes in share stakes announced during the past week include:

Osprey Communications—Director Mr D. Bingham, has sold 60,000 shares leaving him with 94,430 and Mr L. W. Corney director of subsidiary F. John French Agency, has sold 155,000 shares leaving him with 761,360 (12.9 per cent).

City and Foreign Holdings—Director Mr David R. Stevens acquired 25,000 ordinary at 141p and now holds 25,000 shares (0.30 per cent).

Feedex Agricultural Industries—Director Mr D. Faulkner sold 33,333 ordinary at 39p.

R. H. Morley Group—Chairman Mr H. Khan and managing director Mr R. H. Morley yesterday sold 15,000 and 10,000 respectively.

Dominion International Group—Mr H. B. Blodgett and Mr J. Gallagher, directors of Transnational Corporation, a subsidiary of Dominion, have each acquired 537,000 ordinary, and now each hold 1.9m ordinary (4.2 per cent). Mr M. Lewinsohn has disposed of his holding of 227,134 warrants to subscribe for ordinary shares.

Dixons Group—Director Mr Brian Bennett sold 110,000 ordinary shares.

Plessey—Director Mr Peter J. Marshall sold 12,000 ordinary at 223p.

J. Sainsbury—Director Mr R. A. Ingham has disposed of 8,836 ordinary shares.

CONSTRUCTION CONTRACTS

Tarmac builds factory extension for Bamford

Projects worth nearly £6.5m have been awarded to TARMAC. Heading the list is a £1.7m design and build contract for the second phase of redeveloping part of J. C. Bamford Excavators factory site at Rocester, Staffordshire. It involves demolishing a factory building and replacing it with a larger one, totalling about 6,500 sq metres. Contract is scheduled for completion in 36 weeks. Major contracts also include fitting out a supermarket at Colwyn Bay, Clwyd, for Safeway Foodstores (£1.4m) and alterations and extensions to premises at Blackburn, for Mullard Blackburn (£948,000). Other contracts are for refurbishing premises at Liverpool, for Merseyside Development Corporation (£450,000); a market hall with shops and car park at Moreton, Merseyside, for Gladstone Management Services (£341,000); drainage and sewage works at Darlington, for Darlington Borough Council (£284,000); and a car park at Bristol Parkway, for British Rail (£207,000). Tarmac Construction's contract housing division has a £1m contract for improving 75 homes at Wood End, Wednesfield, for Wolverhampton Borough Council.

Glasgow Herald to have new press hall

Work is underway on two contracts for the Scottish region of JOHN LAING CONSTRUCTION. The largest is the construction of a press hall for George Outram & Co, publisher of the Glasgow Herald and Evening Times. The £2.3m management contract is due for completion in January 1988, but the first phase is scheduled for completion by September 1987. A £1.5m contract in Newbridge, Midlothian, is for building a 6,600 sq metre warehouse for Uniroyal, for completion in May. Leeds City Council has awarded a £1.3m contract to Laing. To be carried out in three phases, it is for the extension and refurbishment of Pudsey swimming pool, Crawshall Hill. Completion is scheduled for February 1988. Hanover Housing Association has awarded a £944,000 contract to Laing for construction of Nitshill sheltered housing complex in Dove Street, Glasgow. Completion is due in June 1988. Salford City Council has awarded a £158,500 contract to Laing for repair work following a fire at St Mary's CE School in Cadishead. A 60 sq metre extension is included and work is due to be completed in 14 weeks.

Housing for Edinburgh students

MILLER CONSTRUCTION has negotiated three lontracts, total value £3.42m, to create new living accommodation for Edinburgh University. The contract—part of a major housing programme—will increase the amount of accommodation the university owns and leases, by 12 per cent and make it possible to offer city centre living to over 400 students. As part of this overall contract Miller Construction will be undertaking the complex job of converting the 84-year-old Usher Institute—formerly occupied by Edinburgh University's Department of Community-Medicine into a building which will provide living units for students. As the Institute is in a conservation area external alterations wil be kept to a minimum. A total of 22 units will be provided in the original building and in a new structure to be built alongside. The building, with bay windows, will link visually to the adjoining terraced houses. A four-storey development in Guthrie Street reflecting the form of the original building, will also be built with projecting vertical bay windows and a slate roof. A six- and seven-storey development in Robertson Close will provide accommodation for 214 students and parking space for 85 cars.

Hatfield store conversion

Under a 20-week design and build contract valued at £4.5m, LOVELL CONSTRUCTION (NORTHERN) will completely rebuild the interior of a store at Hatfield, Hertfordshire, for the Dee Corporation, so that it can reopen at Easter as a Gateway superstore. The building, until recently a Woolco department store, occupies a key site in Hatfield town centre. The store has a sales area of more than 60,000 sq ft on a single level with basement and roof top parking. During conversion the interior will be completely stripped and the floor slab strengthened to support new features that are to be incorporated. These features include the provision of a mall of concessionary shop units and kiosks including a bakery. Electrical and mechanical services throughout the store will be refurbished and a complex heating and ventilation system installed.

Milton Keynes housing

LLEWELLYN CONSTRUCTION, the Milton Keynes company within the Llewellyn Group, has been awarded contracts, together worth £4m, encompassing both housing and refurbishment. Three of the new developments are "design and construct" schemes, and two incorporate the group's timber frame housing system. At Shenley, Milton Keynes, 49 two-storey houses are to be built for The Park Housing Association. The houses, to be rented, are funded by the private sector and the contract value is £1.4m. For Site Developments, timber frame is also being used on eight houses for private sale in Putney. The total building cost will be £600,000.

A contract for 52 single-person flats at Oldbrook, Milton Keynes, also "design and construct," is for the Orbit Housing Society. It will start next month and is worth just under £900,000. For Dacorum Borough Council, 18 single-bedroomed flats form the basis of a £500,000 contract at Hemel Hempstead. A further public sector contract is for the refurbishment of 22 houses at Bidwell Hill, Houghton Regis, Dunstable, for the South Bedfordshire District Council. It is also valued at £500,000 and will take 32 weeks to complete.

University extension

TAYLOR WOODROW CONSTRUCTION (SCOTLAND), of Glasgow, has received a contract worth £2.9m from Heriot-Watt University for the erection of further buildings at Riccarton Campus, Currie, Midlothian, to house its Department of Brewing and Biological Sciences. The project comprises erection of a four-storey block 33 metres x 14 metres, and a two-storey block, 36 metres x 21.5 metres, with service towers attached to the building. Linking these will be a single-storey and basement aquarium block and a two-storey connecting corridor. Construction is a combination of in-situ concrete and structural steelwork on piled foundations with brick and blockwork and cladding. Internal finishes, services and fitments are also included.

£5m glass envelope

A contract to design, manufacture and install one of the world's largest glass envelopes has been won by MELLOWES PPG, a member of the RTZ Group, in a deal worth over £5m. The St Enoch Square project, a 76,000 metre leisure centre due to open in the heart of Glasgow in early 1989, is to be completely enclosed by a 30,000 metre all glass envelope based on Mellowes PPG's aluminium Barrier Skywall pressure equalised fully-drained glazing system. Commenting on the project, Mr David Blake, managing director of Mellowes PPG said: "The project is unique in its innovative use of glass and aluminium in sloping, vertical and pyramid glazing, presenting special design and construction problems."

*

TAYWOOD ENGINEERING (TEL), a design and research company within the Taylor Woodrow Group, has been awarded a contract worth £240,000 to undertake over 85,000 individual non-destructive test (NDT) measurements on 3,200 sq metres of concrete in high-rise blocks of flats for the Hong Kong Housing Authority. The contract will last six months.

Enlarging Midlands dairy plant

NORWEST HOLST has secured work worth £4.5m in three contracts in its northern region. The largest, at £2.2m, involves extending one of the Midlands' biggest dairies at Ashby De La Zouch. Liquids of a different kind are being catered for by Ind Coope Burton brewery in a £2m bottling and canning contract in Burton-on-Trent. Making up the trio of contracts started last month is the £300,000 strengthening of Ramsey's 100-year-old loading quay on the Isle of Man.

At present between 70,000-80,000 gallons of milk are processed each day at Northern Dairies, Ashby. When the three-phase extension of the premises is completed by the end of summer its milk handling and cartoning capacity will be considerably increased. In the Isle of Man, the design and construct contract involves straightening 125 metres of the old sea wall which is suffering damage from heavy loads. Work is carried out by driving a line of nine-metre-long sheet piles into the water adjacent to the wall. The one-metre gap between the wall and piles is then filled with concrete and topped with a reinforced concrete slab up to 600 mm thick.

Container repair garage

WIMPENNY, the Huddersfield-based construction group, has received orders valued at £4.8m for its various operating divisions. Wimpenny Project Management has been awarded contracts for the design and construction of a £1.4m warehouse and container repair garage at Thorpe Arch for Geo. A. Moore and Co. and at Ashton-under-Lyne it will build a £750,000 abattoir for Dixons Pork and Bacon. Both schemes have started and both will be completed by the autumn. The division is also working on additional advance units at Thornton Road, Bradford for English Estates.

The construction division is to build Clayform Properties shop and office development in Victoria Lane, Huddersfield. Designed by Crampin and Pring, the £860,000 scheme will be open for trading in September. At Edinburgh, the division is to build a £500,000 extension to British Car Auction's auction centre. Other contracts won include additional laboratory refurbishment work at Manchester for UMIST and further high-tech units at Listerhills, Bradford, for English Estates.

The specialist concrete repair subsidiary, Wimpenny Concrete Treatments, has also had a successful start to the year winning contracts valued at £500,000 for a variety of concrete repair and surface treatment schemes. They include three repair contracts for the Home Office at HM Prisons Lindholme, Acklington, Thorp Arch and two PSA repair projects at RAF Leeming and Portcullis House, Hull. Other schemes include balcony repair works on multi-storey flats for Leeds and Sheffield City Councils and a motorway bridge term maintenance contract for the Department of Transport.

Tyneside supermarket

RUSH & TOMPKINS' north west region has won a further £10m of construction contracts. Largest is a £4.9m contract with Associated Dairies for an Asda supermarket at North Road in Boldon Colliery, South Tyneside. Work has already started on the 106,000 sq ft store which is due for completion in April. A £1.5m contract with Boots the Chemist has also started in Preston for a new Boots store at 10-13 Fishergate. Also underway in Preston is a £680,000 contract with Kevinsfort for an extension to the Broughton Park Hotel in Garstang Road. In Southport a £820,000 infrastructure contract is underway for the Mersey regional health authority at North Sefton district general hospital and in Cheshire a £570,000 contract starts with the Central Electricity Generating Board in March for design and construction of a two-storey office extension at Ferrybridge power station. Finally in west Yorkshire a £860,000 contract has been awarded by Tip Top Stores for a new warehouse at Thorp Arch Trading Estate near Wetherby, a £470,000 refurbishment is in progress for Yorkshire Water Authority at Broadacre House in Bradford, a £330,000 land reclamation at Parkhill Colliery is underway for Wakefield Metropolitan District Council and a £300,000 resewering contract has begun at Seacroft for Leeds City Council.

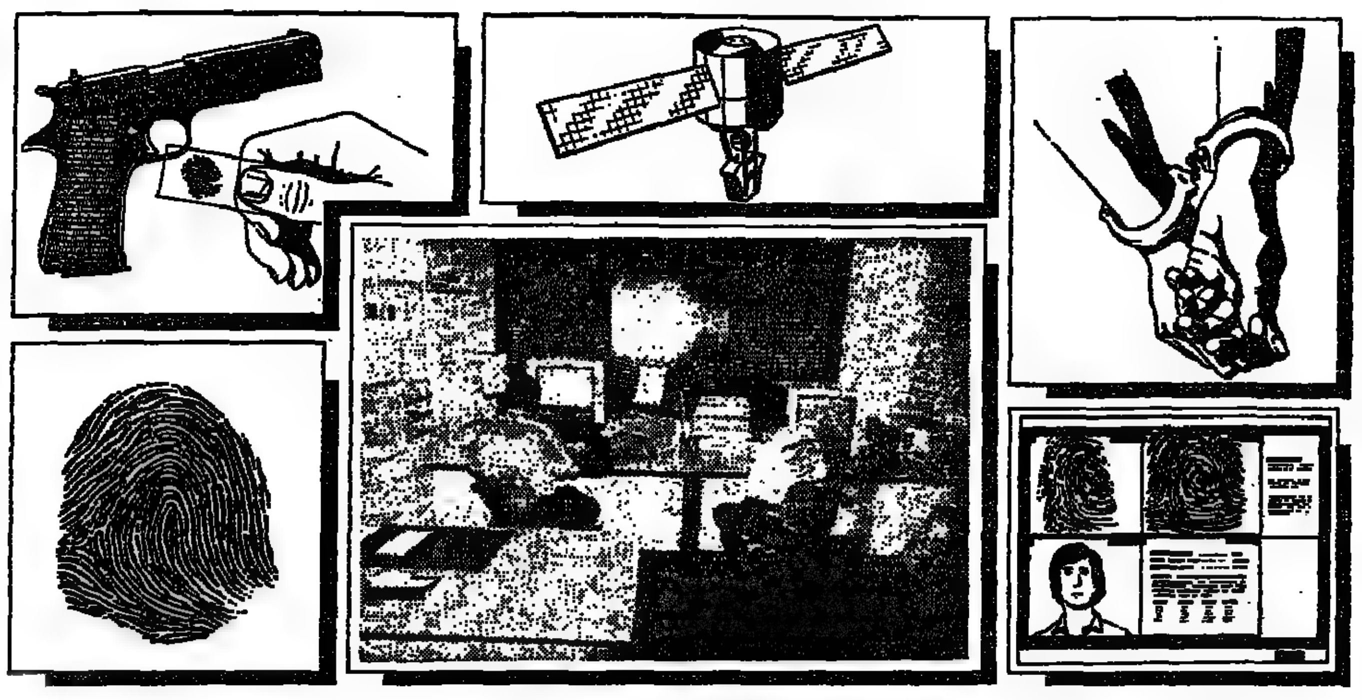
£7m orders for Wimpey

WIMPEY CONSTRUCTION UK has been awarded a £2.3m contract by the South-East Kent Health Authority, for a geriatric day hospital and rehabilitation department at the Royal Victoria Hospital, Radnor Park Avenue, Folkestone, Kent. It will be the biggest development at the hospital since the new wards were built in the 1930s and the scheme will also involve up-grading the out-patient department; construction of a female staff changing room and toilet block; a single-storey boiler room, and alterations to the first floor of the nurses' home block. When completed the hospital will be able to accommodate 45 elderly patients, most of whom will be treated as out-patients. Construction will be of traditional brick/block retaining walls on strip footings with precast concrete ground floor slabs, and a part structural steel and timber trused roof, clad in 'Eternit' slates. Work starts next month for completion in October 1988.

Wimpey has also been awarded industrial, new and refurbished housing and civil work, totalling almost £5m. Work has begun on a £1.04m contract awarded by English Estates for five advanced factory units at Consett, County Durham, which will provide about 5,100 sq metres of accommodation. The contract is due for completion in July 1987.

A civils contract, worth £2.8m has been awarded by BP Petroleum Development for work at British Petroleum Dimlington Road, Easington, North Humberside. The contract includes three road bridges, fire-water and surge ponds, an electrical sub-station and foundations for skid-mounted units and three compressor shelters, a sphere receiver shelter, analyser building and metering house. Underground drainage systems and tanks will be provided as well as concrete pits and fencing. The work is due for completion in July 1987.

Contracts, amounting to nearly £1.4m, have been placed by Stockton-on-Tees and Middlesbrough Borough Councils for new and refurbished housing. At Stockton, Wimpey is to build 30 two-storey, single-bedroom flats in two blocks at Swainby Road, under a contract valued at £420,817. Elsewhere in Stockton, the company is refurbishing 59 homes in Cotswold and Brendon Crescents, on the Junction Estate, in a contract worth £509,690.



Dab-hand electronic detective

Alan Cane examines how automated fingerprint matching techniques are revolutionising the worldwide fight against crime

ILLICIT drugs and money changed hands quietly somewhere in Oslo, Norway last week, as one more deadly sale was added to the thousands of similar deals taking place across the globe.

That particular trade, however, brought little joy either to dealer or customer. Within 24 hours, the miscreants had been identified from fingerprints found on the banknotes used for payment, and the police went out to make their arrests.

Nothing here to amaze followers of Britain's magnifying glass wielding detective Sherlock Holmes, perhaps, but to forensic experts it was further evidence that a revolution is taking place in crime detection not only in Scandinavia but worldwide.

It turns round a new enthusiasm for "cold matching," the use of fingerprints found at the scene of the crime as a means of identifying criminals. And it is being promoted by the development of a new generation of computers which, with dramatic rapidity and at reasonable cost, are able to compare these latent prints, as they are called, with those held on police files.

Only UK police forces, to date, have developed much expertise in cold matching; their specialists, working without computer assistance, are acknowledged to be as fast and as accurate as any machine currently available.

But for the first time, computer-based pattern recognition techniques are beginning to make it possible for other countries to emulate the UK achievement.

The fingerprint matching system situated in the Norwegian National Bureau of Crime Investigation in Fredrik Selmers Vei, Oslo, was built by De Le Rue Printrak, of Anaheim, California. Printrak is a wholly owned subsidiary of the UK De La Rue company, one of the world's major security printers.

The Norwegian system cost about \$2m, but Dectective Chief Inspector Torger Rudrud, head of the bureau's fingerprint department, confirms that the country is nowhere near so law abiding as foreigners might think. "I have no doubt it was money well spent," he says.

"If we had not bought this machine, we would have had to employ another five to 10 people here in the fingerprint department. It has made it possible for us to carry out cold matching on latent prints."

There is only a handful of companies in the world making fingerprint recognition equipment. The market is worth only £40m worldwide, but that will grow rapidly if cold matching takes off. De La Rue Printrak, for example, claims orders worth \$70m in the past few months alone.

Nippon Electric (NEC), of Japan, and Printrak are the acknowledged leaders in automated fingerprint recognition. De La Rue has systems installed at over 40 sites including the US Federal Bureau of Investigation, the Houston Police Department, the Florida Department of Law Enforcement and the US Secret Service.

NEC has come onto the automatic fingerprint recognition scene fairly recently but is notching up orders at an impressive rate. It leads the market in Japan and has installations in the US — including the very large California State Department of Justice with 5m prints on record — and Australia.

Unlike De La Rue which assembles its machinery from

a variety of sources — the processor, for example, is a Digital Equipment superminicomputer —NEC builds all its own components.

The computing chips are the same as those used in its SX family of supercomputers; the optical disk technology is all its own.

It claims the methods it uses for recognising prints are close to the techniques used by human experts.

These machines from Printrak and NEC have been used, up to now, chiefly for what is called "ten-print matching," checking the prints for each finger of a suspect, taken formally by the police, against prints held on record.

It is pure and comparatively simple pattern recognition and experts agree that both the Printrak and the NEC machines carry out such searches with impressive speed and accuracy.

The Printrak machine in Oslo, for example, takes only a couple of seconds to encode the full ten print set and a further couple of minutes to find the best matches for the set in the computerised fingerprint file.

In those few seconds, the machine takes a video photograph of the prints from which image processing circuitry extracts a binary image, that is, a picture of the print expressed in computer language.

The image processing software recognises characteristic features of the print—the minutiae— and the way the ridges flow. UK law demands that at least 16 minutiae must be similar to establish a match. The Norwegians are happy with 10 or eleven.

When the binary pattern of the fingerprint has been recorded, it is matched against the fingerprint file. What the computer does is seek the best statistical match for the minutiae on the sample and score the print accordingly.

Typically a good match would have a score of over 1,000; a poor match, 400 or less. The machine does not arbitrate; it presents the operator with a list of the best matches and their scores for final human selection.

Ten print matching is used extensively for establishing the identity of a suspect in custody and in most countries this is the chief use of the NEC and De La Rue machines.

Cold matching is another matter altogether. Latent prints are rarely perfect. It may be possible to recognise the basic structure of the print involved but little else.

It requires considerable skill on the part of the operator to set up a latent print for cold matching. According to Mr Rudrud, it takes three to four years' training for a fingerprint specialist to recognise the important minutiae to be fed into the computer.

NEC uses a technique involving the manual tracing of the latent print which takes time but is extremely accurate. Printrak machines, on the other hand, are fitted with a rollerball, a sphere set in the surface of the computer console which controls a pointer on the screen.

The pointer is set to the position and direction of each minutiae and a press of a button records the details in the machine's memory.

After the minutiae have been recorded, matching is totally automatic and can take from

seconds to hours depending on the quality of the latent print and the number of prints in the file.

The Norwegian fingerprint file contains some 90,000 prints, of which 38,000 are already digitised for computer searching. The Miami, Florida, police department, which also has a Printrak machine, has some 480,000 prints on record.

The UK, by comparison, has 3.5m prints on record.

The technology of automatic fingerprint recognition is beginning to move quickly, making it more attractive to prospective purchasers. According to Mr Richard Snyder of De La Rue Printrak, a major factor has been the development of a high-speed, low-cost image storage and retrieval system, based on optical disk technology—the same technology which underlies compact discs and laservision video discs.

Images of prints can be stored cheaply and permanently on optical disks and pictures of the prints displayed side by side on the video screen with pictures of the latent print.

By the end of the year, Printrak will be supplying the first of its new generation of machines, the Orion range, which, at maximum speed, are said to be able to compare twenty thousand prints a second. Orions can "see" 256 shades of grey in each fingerprint compared to 16 to 20 for human vision. Prints, coloured "mug" shots and criminal record data can all be displayed on the video screen. The top machine in the Orion range costs £20m.

But the best that Printrak and NEC can do cannot yet satisfy the UK Home Office. Mr Gordon Wasserman, assistant under-secretary of state with special responsibility for the science and technology group within the police department, makes it clear that British latter-day Sherlocks still have an edge over the machines.

UK fingerprint experts would have every one of those 38,000 digitised prints in the Norwegian database engraved on their memory, he says.

Every cold match made by a Printrak system since they were launched in 1976—almost 15,000 —does not equal the number made manually by UK forensic scientists in one year, he claims.

Printrak's Mr Snyder agrees that at present the phenomenally high standards demanded by Mr Wasserman cannot be met by computer-based machinery.

The Home Office wants to computerise its fingerprint departments; its problem is finding a machine as cost-effective as its human experts.

It favours a combination of special print recognition techniques developed by Ferranti and Smith Associates, both of the UK, running on high-speed computing equipment using the Inmos transputer, Thorn EMI's signal processing computer chip.

It seems likely soon to put its ideas to the test, asking De La Rue Printrak, NEC and systems houses like CAP and Logica to make proposals for a machine to satisfy a draft specification.

If the Home Office mechanical supersleuth comes to pass will it mean the end of the road for Britain's maestros of the latent print? Not according to Norway's Chief Inspector Rudrud: "Manual searching is very hard and people get tired. If a computer can do that, it leaves the interesting work for the specialists. Far from destroying our skills, we have found that it has amplified them."

Out to Pinpoint London taxis

IF A consortium of London taxi fleet owners with 500 vehicles can raise the necessary £2m, it plans to use the British Telecom Pinpoint Despatch vehicle location system, announced last April, to speed up the deployment of its cabs.

The consortium, called Cellular Mobile Systems, will put display terminals in its taxis, and these will show the driver where his next fare is to be picked up.

A network of 1,500 small radio beacons is being installed by British Telecom in the area encircled by the M25. These transmit their precise position to update dead-reckoning equipment in a vehicle. A cab can then send its exact position back to a base station map over the vehicle's normal radio link, which is then used to activate a display of the nearest cab to a fare.

WORTH WATCHING

Edited by Geoffrey Charlish

Welding deep in nuclear reactors

A ROBOT called Warrior, designed and built by Taylor Hitec of Chorley, Lancashire, for the UK's Central Electricity Generating Board, has been used to make a weld deep inside the nuclear reactor at Oldbury, near Bristol.

The 25 in MIG (metal inert gas) weld was made under continuous-path computer control, aided by vision systems mounted on another manipulator close to the robot system.

In this welding method, both robot and vision manipulator arms are sent down 20 feet of concrete shielding, through access holes only 7.5 ins in diameter. While following the guided welding path, the robot has to keep the welding tool at a constant distance of 0.02 in from the surfaces being joined.

Using such techniques, the CEGB expects to extend the life of its magnox reactors at Oldbury and elsewhere.

Portable charge for sunny climes

SOLPRO Holland International, of Veldhoven in the Netherlands, is offering a small solar power system suitable for supplying portable electrical appliances in sunny climates.

Solpower, the size of a large book, uses a solar array and a nickel cadmium battery, with regulation and charging circuits. The battery supplies the appliance and gives 2.6 ampere-hours at six volts (a larger unit gives 4.0 Ah at 12v).

Publishers given graphic details

HEWLETT PACKARD, the US-based computing company, has introduced a document scanner, which costing under £2,000, can be used in desk-top publishing systems to transfer printed graphics from existing publications. The material is held in digitised image form on disk, so that, although text can also be scanned, it cannot be edited.

The system uses a Canon facsimile scanner unit and in the HP system, called Scan-Jet, the operator can select various scanning resolutions from 38 to 300 dots per inch, the latter taking about 20 seconds per scanned page. Image enlargement and reduction are provided.

Contacts:

Cellular Mobile Systems: UK, 01-739 5071. Taylor Hites: UK, 02572 65825. Solpro: The Netherlands, telex 51882. Hewlett Packard: UK office, 0734 696622.

FINANCIAL TIMES SURVEY

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Tuesday February 24 1987

Nonwovens

The future for the industry can be expected to lie in establishing specialist sectors now that the basic business is growing more slowly

Seeking lucrative niches

By Robin Reeves

NONWOVENS, the industry responsible for creating such diverse modern products as the disposable diaper, the teabag and the germ warfare combat suit, has come of age.

Looked upon as a young, fast expanding industry, with growth rates of 10 to 15 per cent and apparently ever-increasing scope for expansion, it has suddenly begun to sense that its period of adolescence is over.

In 1983-84, the official statistics suggest that the growth in output slowed to around 7 per cent and that between 1984 and 1985—the latest figures available—there was barely any overall growth at all; though the position varied considerably from sector to sector.

Clearly, some of the markets which the industry took by storm 20 years ago are now approaching maturity. It is a sign of the times that some of the pioneer producers have been re-assessing their nonwoven activities.

Du Pont shook the industry recently by deciding to divest itself of part of its nonwovens business and Kimberly-Clark, another famous name, has also revealed that it is reviewing its position in the industry.

Other companies are now deciding that the future lies in developing specialist niches, rather than fighting for a share of the bread and butter business or hoping that lateral thinking will suddenly produce a major new outlet.

In English, the industry calls itself "Nonwovens," in German "Vliesstoff," in French "Nontisses," in Spanish "Tejidos sin tejer" and in Italian "Nontessuti." It began as an industry making cheap substitutes by glueing together waste materials, thereby creating an image which it took a long time to live down. It then moved onto using specially-tailored fibres and adhesives to produce nonwoven fabrics and sheet structures which would compete on their own merits, though the emphasis remained on cheap substitutes.

Only recently has the industry begun to convey the message that it is not tied to any particular technology but is in the business of bonding together sheets of fibres or filament by a variety of means other than weaving or knitting, and that it can make products with unique or enhanced properties which cannot be made in any other way.

Nowadays, around half the output of the European nonwovens industry is being used as coverstock for disposable diapers (or, as the English prefer to call them, nappies) and two related products, female sanitary napkins and adult incontinence pads; though as this survey highlights, the fibres and method of bonding used to produce what is essentially a porous envelope have undergone a dramatic change in a remarkably short period.

Of these three markets, the first is heading towards maturity and second is at best static. Of the third, it has been said in America that adult incontinence will be a bigger market than baby diapers by the end of the century, but in Europe it remains a small, if growing, market.

Other important bread and butter businesses for nonwovens producers include wiping cloths of infinite specification, teabags and abrasives, and disposables and other materials for use in medical and surgical environments.

As the industry got into its stride in the 1960s and 1970s, there was heady talk of its making large inroads into the general apparel market. In practice, the penetration has been by and large limited to interlinings, though some producers are forecasting that moulded nonwoven structures could even have a significant impact on the fashion market in the not too distant future. Some perfectly satisfactory curtain and upholstery fabrics are produced by nonwoven methods.

Other more technical markets for nonwovens include filter materials, geotextiles for the civil engineering, horticultural and agricultural industries, as cable wrapping and battery anode separators, in insulation and as substrates for coatings of other materials. Nonwoven producers are not limited to using textile fibres. Carbon fibres and ceramics, for example, are among the materials used.

For this reason, nonwoven producers are always at pains to stress that they are not a branch of the textiles industry, but that their production methods have equally important roots in the leather, paper and chemicals industries.

Today's nonwovens industry is looking towards a future in which its task will be to produce tightly-specified and engineered sheet materials, composites, and even three dimensional moulded structures, for whatever purpose or industry they may be required.

The end of next month sees the opening of the European nonwoven industry's triennial international trade fair and congress in Geneva, Index 87. It is a sign of the industry's growing stature and perhaps also the more competitive climate that Index 87 has attracted a record 230 exhibitors. And between them, they will take 50 per cent more space than three years ago.

Organised by the industry's European umbrella body, the European Disposable and Nonwovens Association (EDANA), Index is being used as an occasion to reach out to those industries which have perhaps not fully appreciated the skills and expertise of the nonwovens industry.

The current chairman of EDANA is Mr Norbert Dahlstroem, managing director of Freudenberg, a family-owned German company with 24,000 employees in 130 companies worldwide which has been one of the pioneers of the nonwovens industry. Last year its turnover exceeded DM 1bn.

Freudenberg's board recently decided to raise the company's own profile worldwide by changing the name of all subsidiaries to Freudenberg; in the UK the company which used to be known as Bondina, near Halifax is now Freudenberg Nonwovens. Mr Dahlstroem hopes during his term of office to similarly raise the profile of the industry as a whole.

Another objective, he says, is to bring about a subsantial improvement in the quality of the statistical information about the industry.

Mr Dahlstroem says that he has known cases in which figures of nonwoven capacity have been 100 per cent inaccurate. In the days of rapid expansion, this did not necessarily present a problem. But now that the industry is entering a more mature phase, it is important for its future health and investment pattern. Mistakes could prove expensive.

Ellis Nadler

How they are made

AROUND half the nonwovens in Europe are currently produced using dry-laid methods, that is the fibres or materials to be used to form the sheet are carded on traditional machines to produce a fleece which is then bonded.

A further 13 per cent are produced by a wet laid method akin to that of papermaking, before bonding.

The remainder—some 35 per cent and growing—is spun laid using more capital intensive processes which have grown out of the chemical and man-made fibres industries. Polymer chips are fed in at one end and nonwoven sheets and fabrics emerge at the other.

Bonding was achieved in the industry's early days by using chemical binders or adhesives and needle punching of the fleece to entangle the fibres. They remain a key part of the industry. The leading supplier, National Adhesives and Resins, says that product innovation is bring new demands.

But these traditional binding methods have more recently given way to increasingly sophisticated techniques, most notably thermal bonding and spun lacing.

In thermal bonding, the fleece is passed through rollers held at a temperature which will melt some of the fibres in the fleece sufficently to bind the structure.

In spun lacing, the fibres in the fleece are entangled by high pressure jets of water. The process is also known as hydro needling or entangling and is currently the subject of a wave of investment because of its ability to produce very soft texture.

Mr Ken Floyd of the Shirley Institute in Manchester who has done a great deal of research on behalf of the nonwovens industry over the past 16 years believes that there is also a place for ultrasonic bonding. The institute has found that it yields a softer material than thermal bonding. But the method awaits more attention from machinery manufacturers.

The conventional wisdom is that spun bonding will eventually dominate the nonwovens industry because it is a more integrated, and therefore more economic process route. However, it requires far greater capital investment than dry laid.

Fibres

Target for producers

THE nonwovens industry has become the principal target of Courtaulds Europe Viscose Fibre subsidiary, after the closure last year of its Greenfield plant in North Wales and the concentration of its production at Grimsby and Calais.

Previously, nonwovens accounted for only 40 per cent of Courtauld's viscose business. Following the cutback which reduced the company's production capacity from 125,000 tonnes to around 70,000 tonnes and triggered off the disposal of unprofitable business outside Europe, sales to non-wovens now account for two-thirds of its turnover.

Despite viscose's complete loss of the cover-stock market to polyester and polypropylene, it is still highly valued as a fibre for its purity and non-toxicity—it is reconstituted cellulose—and absorbent properties.

Courtaulds' case illustrates the growing importance of the nonwovens market to fibre producers. Even a decade ago, many fibre manufacturers still regarded the market as of marginal importance. Today, many have woken up to the fact there is substantial business to be gained not just from supplying nonwoven products but fine tuning their fibres to suit the precise needs of particular nonwovens.

Within the past 18 months, Courtaulds has invested in a wide range of pilot equipment at its Coventry research and development laboratories to enable it to produce and test samples of nonwovens incorporating viscose using most of the standard methods such as wet-laid, dry-laid, water entanglement, and thermal bonding.

ICI spotted the need to service the market much earlier and produced a range of what it called heterofil fibres. These are made up of two polymers, in which the outer or sheath polymer has a lower melting point than the core fibre. When heated, sheath droplets run down the core fibre to cross-over points where they will thermally bond the fibre fleece or sheet when cooled.

ICI's pioneering work has since produced significant growth in the development of binder fibres—fibres designed to act as a thermally bondable adhesive for the nonwoven.

Chisso, a Japanese fibre producer company, came up with a bicomponent fibre with a polypropylene core (165 degrees C melting point) and polyethelene outer crescent (135 degrees C). Compared with polyester and nylon, it provided a fibre structure which would thermally bond at a far lower temperature, with consequent energy savings of significance.

Not all binding fibres are heterofil. Some homofil fibres have been found to give equally good results. The reason for this may be that with any adhesive agent there is a tendency to use too much and this is liable to impair performance of the material it is binding.

The binder also does not have to be a fibre. It can be a powder. Bonar Carelle, a subsidiary of Low and Bonar, is presently commissioning a new plant in Scotland dedicated to producing nonwovens using power-bonding technology.

But EMS Grillon, a Swiss fibre producer, and Du Pont have made a speciality of binder fibres, including a fibre which is especially tailored to reinforce newsprint. Paper for carrying colour has a higher clay content and, as a result, it has to be strengthened with fibres which are quite unlike those which go into textiles.

Robin Reeves

West European Production

Figures in millions sq. m. from 1985 deliveries

End-Use	1978	1983	1985	%	Production Process Used in 1985
Coverstock	1,983.3	3,154.7	3,559.2	50.2	mainly dry-laid. Spun-laid increasing
Medical/Surgical	257.2	†225.4	†244.9	3.4	mostly dry-laid—also wet-laid
Bed and Table Linen	93.6	89.8	81.2	1.1	mainly dry-laid and wet-laid
Wiping Cloths	284.2	‡533.0	‡644.9	9.1	wet-laid and dry-laid
Filtration	158.9	171.0	143.2	2.0	mainly dry-laid and wet-laid
Apparel Interlinings	24.4 177.5	258.6	331.1	4.7	almost only dry-laid
Civil Engineering	99.3	275.4	389.6	5.5	Overwhelmingly spun-laid
Coating Substrates	144.0	230.9	172.8	2.4	dry-laid, spun-laid and wet-laid
Household —wall covering	20.9				wall covering in increase
—upholstery, carpet underlays		207.7	298.1	4.2	carpet underlay mainly spun-laid
Vehicle Interior		82.8	70.4	1.0	mainly spun-laid and dry-laid
Abrasive/Tea Bags	150.5	798.8	806.1	11.5	tea-bags overwhelmingly wet-laid
Waddings and Bulky Items		29.4	32.2	0.5	mostly dry-laid
Misc. and Non Identified	640.7	168.7	311.5	4.4	all types
TOTAL	4,034.5	6,226.2	7,085.2	100.0	dry-laid=58.0% of m^2

† Excluding medical wipes. ‡ Including medical wipes.

Source: Edana

Nonwoven safety suit being worn for Chernobyl clean up of contaminated vegetables in West Germany

Technical uses

Making hazardous jobs safer

IF YOU TALK to a Du Pont executive about the company's proprietary spunbonded polyolefin, Tyvek, he is liable to pull an Isle of Man one pound note out of his pocket which looks and feels like paper but proves to be untearable.

The same basic material, but engineered to a different specification, was used for safety suits worn by German workers last year when disposing of vegetables contaminated by nuclear fallout after the Chernobyl disaster.

Tyvek and the products made from it are an example of the advanced materials which the nonwovens industry is capable of, given the market opportunities. They belie its cheap and cheerful image and reputation.

In the case of the safety clothing, Du Pont produces a range of scientifically engineered and tested fabrics for chemical and other hazardous environments, rated for the length of time they will provide protection.

The precise method of manufacture of Tyvek is a closely guarded secret. It is described as a flash spun polyethelene, bonded under heat and pressure and engineered to meet end use needs as a soft or hard structure. But Du Pont admit that it is instituting a major attack on Tyvek's costs of production to enable it to get into markets where until now the material has generally been regarded as too expensive. But even in current end uses, it calculates that Tyvek has a growth potential of 15-20 per cent a year.

Hence, it is currently spending $150m to increase output capacity of Tyvek at the company's European manufacturing centre in Luxembourg by 20,000 tonnes. This will come on stream in July 1988.

Besides protective wear, where it sees a potential for 60m garments a year in Tyvek's sector, it also plans to concentrate on the European envelope market, calculated currently at 70bn units a year.

It is confident that the high strength and low weight benefits of Tyvek will enable it to capture that slice of business where the security and protection of the letter or documentation provided by the envelope is vital.

Du Pont also sees a big future for Tyvek as a substrate for a wide variety of other materials.

In fact, an increasing number of nonwoven producers now see their future as lying increasingly in the industrial application of their expertise rather than in the traditional nonwoven markets, notably coverstock, with which so many of them have been associated in the past.

Another important technical growth area is filtration, particularly following the demise of asbestos. The great virtue of a nonwoven sheet is that the degree of porosity and other characteristics required for a particular filter can be engineered precisely, not least by using a single, predetermined, fibre size. A woven material, on the other hand, will always contain a range of fibres of varying denier, meaning a variable filtration performance.

Another example where nonwovens have triggered a distinct technical advance is in the use of low density abrasive materials. Freudenberg has developed a family of substrates impregnated with aluminium carbide and silicon carbide in regulated grit sizes for a variety of finishes—from fine polishing to scratch pattern. The advantage of the nonwoven product compared with previous materials (sandpaper etc) is that it presents a consistently aggressive face throughout its thickness.

Robin Reeves

US trends

Markets begin to mature

US consumption of nonwoven fabrics reached about $1.8bn in 1986, including $1bn used in disposable products and about $800m used in durable products. Dollar sales expanded at 15.8 per cent/year annually between 1971 and 1980 but only 9.4 per cent/year between 1980 and 1986 and at 7.4 per cent/year between 1982 and 1986.

US 1986 consumption, in pounds, reached 1.3bn, up 5 per cent from 1985. Unit consumption has grown at an average annual rate of 6.9 per cent per year since 1982.

Sales of converted nonwoven disposable products reached $7.0bn in 1986, up 8.4 per cent from 1985. Consumption has expanded at an average annual rate of over 15 per cent per year during the 1980-86 period. Converted disposable product sales have grown at a considerably higher rate than nonwoven roll goods because the per unit price of converted products has been steadily increased. New features have been added which provide greater value to the end user and the added cost of these improvements has been easily passed through.

The demand for nonwoven fabrics in disposables applications depends on the outlook for converted products which utilize them. During the past few years, several disposable nonwoven markets have begun to mature. One market is disposable infant diapers. This is the largest sales volume converted nonwoven product and the largest single end use for nonwoven fabrics. US sales of disposable diapers reached $3.3bn in 1986, up only 4 per cent from 1985. In 1985, volume was $3.2 bn, up 11 per cent from 1984. Unit shipments actually declined about 2 per cent in 1986 to 15.0bn. In 1985, unit volume was up 0.5 per cent over 1984.

This leveling off in demand reflects the already high penetration of disposables (about 80 per cent of all diaper changes), no significant increase in the birthrate, and a reduction in the number of diapers used per week because of improved features such as dryer facings, refastenable tape tabs, better fit and comfort.

Feminine hygiene products (sanitary towels and tampons) are another maturing market for nonwovens. Retail sales of the category reached $1.6bn in 1986, up 7 per cent from 1985. Unit sales grew only 2.6 per cent in 1986: Sales of sanitary towels reached $1.11bn in 1986, up 7 per cent from 1985. Unit sales grew only 4 per cent in 1986 and only 3 per cent in 1985. Retail sales of tampons increased 6 per cent to $560m in 1986. Unit sales were flat.

Some medical disposables such as incontinent pads operating room accessories including caps and masks are also mature. In fact, because of the impact of cost control legislation on the US health care business, these highly penetrated end uses for nonwovens are actually declining as hospital numbers decrease and the number of surgical procedures performed annually remains static.

However a number of other converted nonwoven disposables markets are expanding at a very healthy rate. Disposable adult incontint pads represent a major new area of opportunity. Sales to end users of these products exceeded $300m in 1986, up from only $165m in 1983. These products are sold to nursing homes, hospitals and to retail users. Institutional consumption represented about two thirds of the total but consumer sales are the fastest growing. The consumer market has been growing at approximately 100% per year since 1983. The institutional market has been growing much more slowly; just under 15% per year in value and only 10% per year in units. Disposable adult pads have penetrated about 4% of the theoretically available consumer market but almost one half of the potential institutional market.

Premoistened wipes, fabric softeners, medical sterilization wrap, medical/surgical sponges and dressings, disposable industrial apparel, filters, and industrial/institutional wipers are additional converted disposable nonwoven businesses which have been showing above average growth.

The outlook for nonwovens in durables applications is mixed. Overall, durables have been growing at a slightly faster rate than disposables. The fastest growing segments include durable papers (envelopes, housewrap, tags, labels, and related products) geotextiles, and roofing. Slower growth has been the case in interlinings and construction sheeting for furniture and bedding applications. In these end uses, nonwoven penetration is already high. Some coated fabric and bedding/home furnishing uses have been growing at a faster rate than the industry average, but some are mature. The consumption of nonwovens in automotive carpet backing has been expanding at a very rapid rate in the U.S. However, nonwoven backings for residential and many commercial carpet applications has been declining because of strong competition from woven slit film.

Nonwovens made by dry staple processes still account for almost 45% of U.S. industry volume. This is also the slowest growing nonwoven-making technology. Thermally bonded dry staple fabrics are replacing those made by resin bonding. Thus, the market for resin binders is declining. The usage of needlepunched nonwovens has increased at about the same rate as the industry overall. These materials, particularly new types of structured needle-punched fabrics, are achieving growing usage in moulded automotive trim materials and in a variety of other markets. Air laid pulp nonwoven usage is also expanding at an attractive rate and producers are now sold out. The major end use is wipers. Spunbonded, the second largest nonwoven-making method, has continued to expand at a rate faster than the industry as a whole. Spunbonded now accounts for almost one third of total industry volume on a poundage basis and a higher share of dollar value. Spunlaced and melt blown nonwovens have been rapidly accepted and are now significant in the US market. Wet-laid nonwovens have grown at a rate slightly below the average for the industry, but new process and product technology is likely to yield fabrics having significantly improved cost/performance and, thus, greater commercial utility.

Overall, a 6-7% annual rate of unit growth for nonwoven roll goods is expected in the U.S. through 1991. The growth of this business exceeds that for the U.S. paper and textile industries and compares favorably with many other businesses.

The penetration of nonwovens in several promising markets is still very low. For example, nonwovens have penetrated only about one quarter of the U.S. market for industrial/institutional wiping materials. Nonwovens represent only about 10% of the consumption of fibre-based materials used in filtration and only about 15% of the disposable industial apparel business.

Reinforced plastcs and composites are another area of opportunity. In order to achieve significantly greater penetreation in these markets, nonwovens producers will have to develop and commercialize new fabrics having improved cost/performance compared to those currently available. Proprietary technology will be an increasingly important requirement for success. Participants with "me-too" technology positions may find returns unacceptably low.

John Starr

John R. Starr, Inc. is a management and technical consulting firm specializing in the nonwoven products business in the US.

The US Market

Nonwoven penetration in selected markets

Market	Approximate penetration*
Wipes	25
Filters	10
Carpet backing	10
Bagging/packaging	5
Disposable industrial apparel	15
Reinforced plastics/composites (low temperature)	5
Building products	10
Medical products	15

* Per cent of theoretically available market.

Source: John R. Starr, Inc. estimates.

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Teabags

Profits from a cuppa

NOT LONG after the Second World War, a US company called C. H. Dexter agreed to license its technology for producing long fibred papers, suitable for the manufacture of teabags, to a Lancashire specialist paper maker, J. R. Crompton.

Dexter is one of the oldest publicly quoted companies in the US and in the 1930s its invention of the inclined wire process changed the company from a paper manufacturer into a producer of special lightweight nonwoven products.

Crompton had also got into long-fibred papers in the 1930s in order to produce stencil tissue for the then large Gestetner office printing market. Teabag papers looked like a small but useful diversification.

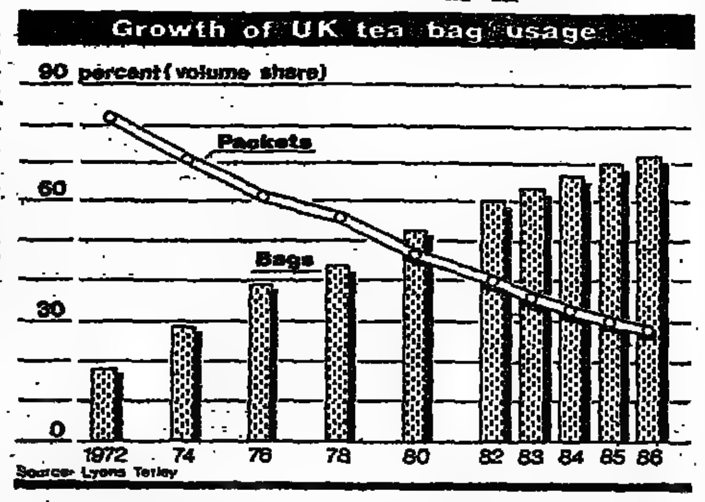
Before long, Crompton found itself at the leading edge of a dramatic change in the world's largest and most famous market for tea—the growing trend in the UK towards using tea bags, rather than loose tea, to brew the famous "cuppa." Crompton developed Dexter's technology along its own lines and soon its tea bag papers were its dominant business.

Seeing the expansion in the UK, C. H. Dexter itself arrived in 1972 to open a manufacturing plant at Chirnside in the Scottish Borders and to compete directly in the market for tea bag papers. Today, it claims to have approaching half the market for teabag papers in Western Europe where some 70 per cent of the tea is now drunk in teabag form.

Competition within the UK market for tea bag papers was clearly fiercely fought. Although J. R. Crompton still claims market leadership in the UK, last year the Lancashire company was acquired by the fast-growing Bunzl paper, plastic and distribution group, in an evidently ailing condition for £14.8m. The takeover has set the scene for an intriguing new chapter in the development of one of the wet-laid nonwoven industry's key markets.

Bunzl already owned another specialist papermaker, Wycombe Marsh Paper Mills, based in High Wycombe, near London, with a product range which complements that of Crompton. Wycombe Marsh, unlike Crompton, has been particularly involved in sterilised papers and wrappings for the medical market.

The two Bunzl subsidiaries have now been brought under the same management team within the company's industrial division and a new sales company, Wycombe Crompton Inc, has been established in Atlanta, Georgia, to take on C. H. Dexter in the home market in which it is dominant.



Wycombe Crompton has no illusions about the task before it. American companies do not like being dependent on a long supply line or, for that matter, buying from a non-domestic producer. Wycombe Crompton intends to establish a stockholding depot to overcome this, but it must also prove itself a reliable supplier even when, as at present, the dollar exchange rate is not particularly favourable.

In addition, the two other leading European producers, Bollore Technologies of France and Schoeller and Hoesch of West Germany, are beginning to push into the US market with comparable sales operations. There is also Dexter's domestic rival in teabag paper production, Schweitzer, a subsidiary of Kimberley-Clark, which has a market share of around 15 per cent, to be taken into account.

In the project's favour is the fact that American tea packers have an obvious interest in second sourcing one of their vital raw materials. And even a small share of US market which uses some 4,000 tonnes teabag paper a year—the second largest market in the world—would give a significant boost to Bunzl's teabag papers business.

The nonwoven which the teabag is manufactured from is abaca (Manila hemp) grown in the Philippines and in Ecuador. Its virtue is its extra long fibres which are separated out in a digester before being wet laid on an inclined wire to produce a lightweight porous sheet, weighing between 9 grams and 25 grams a sq metre with very good wet strength.

That said, the tea bag has undergone considerable evolution since the early days, in the interests of providing a better cup of tea. Perforation, for instance, had to be introduced in order to provide instant colour infusion of the water. But probably the most important development has been the use of some polypropylene fibre both to give the bag greater strength and allow it to be heat sealed.

Crompton incorporates the polypropylene in the web whereas Dexter adds it as second stage, arguing that this gives a better performance. But both companies have been to an extent driven by the machinery manufacturers who now make units capable of producing 4,000 teabags a minute, compared with just 250 bags a minute in the early days.

Other refinements introduced by Dexter include nuckling of the paper to produce thin and thick areas rather than holes or perforations and, more recently, an attraction which it calls "textilisation." This is a technique so far unique to Dexter which enables it to provide teabag papers with brand identity or logo-type patterns.

Dexter sees as the next stage the need to enhance the quality as well as the colour of the teas being used with teabags. Arguably, the quicker the infusion, the lower the tea quality. Dexter is looking at the balance between using a larger tea leaf and paper with more open perforations.

Robin Reeves

Medical sector

Tests for sterilisers

LANTOR International, the nonwovens subsidiary of Britain's Tootal group has just achieved a major breakthrough in the medical market for nonwovens by producing an improved device for testing the efficacy of steam sterilisers in hospitals—a routine but vital daily test for ensuring that the equipment is working properly.

The traditional method has been the Bowie and Dick test which involves placing a piece of heat sensitive paper at the centre of an 18in cube of 36 folded linen towels within the steriliser to see if the paper is affected. If it is not the test must be repeated with a fresh set of towels.

After collaborating with the University of Manchester's pharmacy department and the UK Department of Health and Social Security, the company has come up with the Lantor Cube which two months ago was given the official stamp of approval as an alternative method of testing.

Instead of tea towels (which for the test have to be neither starched nor ironed) the new cube contains two packs of scientifically specified nonwovens, which are clamped together with the paper in the middle. Each pack can be used for 15 tests before being replaced.

The benefits of using a nonwoven are severalfold. It involves a cheaper material, unaffected by steam because it has been selected for its hydrophobic properties and unlike tea towels, the nonwoven packs will also not be used for anything else. Last but not least, it is in practice a far more reliable method of detecting malfunctions in steam sterilisation equipment than the Bowie and Dick method.

Lantor has chosen to market its cube through 3M which makes the heat sensitive paper, and it promises to keep the company busy. Hospitals in the industrialised world contain an estimated 25,000 sterilising units and the number of Bowie and Dick tests a year is put at 3m.

The Lantor Cube is a textbook example of the potential impact which nonwovens can, and have been actively seeking to make in the medical world. It is an area of activity where, of course, the highest premium is put on cleanliness and on materials which will provide both barriers and breathability. It is also an area where disposable products from wipes to throwaway sheets and operating theatre gowns can flourish.

Clothing and covering for operating theatres

But in practice, it is a market which has developed for nonwovens more slowly, certainly in Europe, than at one time seemed possible. For one thing, European hospital authorities have spent heavily on laundering facilities the investment in which would have to be written off if there was a wholesale switch to single use materials.

For another, medicine is a conservative profession and doctors and medical authorities generally are not inclined (thank goodness) to adopt every new thing willy-nilly.

A classic example of the difficulties nonwovens have had in building up penetration is cotton gauze, a standard medical product consumed at the rate of 1.5bn sq metres a year in Western Europe: this was identified some years ago as a large market ripe for takeover but in practice, progress has been strictly limited.

It is partly due to habits, partly because nonwoven producers cannot yet guarantee that fibres will not break loose—a vital consideration in operating theatres.

Lohmann, a leading West German nonwovens producer of long experience, which manufactures both natural cotton gauze and nonwoven substitutes thinks that many in the nonwoven industry are fooling themselves in believing that cotton gauze is ripe for substitution; that the traditional cotton product will only be ousted when nonwovens come up with something with superior properties.

One UK company with a novel new product for at least part of this market is Britcair, a new pharmaceutical company, which is producing nonwoven wound dressings of wet-spun calcium alginate fibre, obtained from a particular species of brown seaweed, which is highly absorbent, an active haemostat and biodegradable.

Applied directly, to the wound, the calcium in the fibre reacts with the exudate and blood (ion exchange) to form a protective viscous gel over the wound, keeping it moist. Because it is absorbed by the body, the dressing can be left undisturbed on the wound.

Robin Reeves

Geotextiles

New product creates its own market

GEOTEXTILES are one of the great success stories of the nonwovens industry, and a textbook example of how a new material can create a new market.

Launched little more than 15 years ago, geotextiles are now being utilised by the European civil engineering industry at the rate of 140m sq metres a year. And usage is continuing to grow at between 5 per cent and 10 per cent annually.

Geotextiles have come to be used extensively to stabilise the foundations of motorways, prevent the erosion of dams, slopes, dykes, embankments and reservoirs, and protect drainage and sewerage systems.

They not only do this job more cheaply and effectively than traditional methods but also, according to all the available evidence, ensure the civil engineering structures concerned remain serviceable for far longer than used to be the case.

Success has come from the ability of the nonwovens iindustry to create sheet membranes of varying strength and specified pore size which let through moisture but not the sand, soil or other material which the sheets are designed to contain.

The market leader in Europe is ICI Fibres with its Terram 100 per cent spun-bonded polyolefin range of geotextiles, produced at Pontypool, south Wales. Other major producers for the European market include the French chemicals group, Rhone-Poulenc, Chemie Linz of Austria, which has just increased its capacity by a further 20m sq metres a year, and Du Pont which also plans to use increased capacity at its Luxembourg Typar manufacturing plant—originally dedicated to carpet backing—to win a bigger share of the European geotextiles market.

An early use of geotextiles was in motorway drainage. The drainage systems of the first generation motorways were prone to become clogged with soil and had to be renewed at great expense and inconvenience to users every five years. Civil engineers were persuaded to wrap the drainage pipes in nonwoven sheet, with pores small enough to prevent soil fines getting through and clogging the system.

But it was quickly established that not only did this prevent drainage systems from becoming clogged, but that the traditional clay pipes were no longer necessary and could be dispensed with altogether. Drainage systems are now made by simply lining trenches and soakaways with geotextiles and then filling them in with stones.

From this it was a short step to more general erosion control applications. Famous examples include the Hovercraft landing bay at Dover where a geotextile sheet has been used to great effect to prevent the loss of the foundation sand.

Another well-known case is the giant Scheldt Delta reclamation scheme in the Netherlands where 7m sq metres of geotextile mat was used to stabilise the sea bottom foundations of the storm barrier.

These days, geotextiles are finding ever-increasing application in the foundations of roads. By keeping the aggregate of the road separate from the sub-soil, but allowing water to pass through, the geotextile both keeps the road's foundation layers intact and functioning and also distributes the load of vehicles using it.

ICI says that drainage applications account for approaching half its geotextiles business, claiming its spun bond system of manufacture allows the pore size to be controlled more exactly than the needle-punched material offered by some other producers.

As familiarity with the use of geotextiles has grown, the civil engineering industry has begun to specify the kind of geotextile material it requires for specific projects. But clearly there is ample room for expansion.

Civil engineering is a very conservative industry. So far, only about 30 per cent of civil engineers are thought to be familiar with the benefits of geotextiles and it will take time and education to teach the others.

Another growing market for geotextiles is in roof construction. Traditional bitumen flat roofs almost invariably start leaking after about 10 years. ICI has come up with the concept of the "upside down roof" in which a permeable geotextile membrane is laid between the roof protective chippings and insulation layer, under which is laid an impermeable membrane.

This "sandwich" arrangement allows for expansion and contraction of the insulation layer while also protecting its joints from becoming clogged with fines from the chippings or windblown dust. At the same time, the geotextile allows rainfall to pass through the joints of the insulation layer to the impermeable membrane where it can be drained away.

A large market for geotextiles is also foreseen in agriculture. Not only can they be used to great effect to improve farm roads, gate entrances and field drainage, but they also have the crop protection and greenhouse roles which have been assigned to plastic film, but with a key advantage that they will allow through rainfall and conserve moisture.

R.R.

Disposable diapers

UK mothers make the switch

PEAUDOUCE, brand leader in the UK market for what the nonwovens industry and Americans call disposable diapers but which the British still prefer to call nappies, is just putting the finishing touches to a £10m manufacturing plant at Telford in the West Midlands of England.

The new facility, which has the capacity to produce more than 500m disposable diapers a year, is designed to consolidate the French company's leading share of the rapidly-expanding UK disposable diaper market.

Within the past two years, Peaudouce, which is owned by Boussac St Frère of France, has overtaken the acknowledged leader of the disposable diaper business worldwide, the US-owned Procter and Gamble group.

Peaudouce is not alone in its assault on the British market. Another French company, Celatose, is building a second plant in south Wales at a cost of some £7m to supply the large "own label" sector of the market in the UK.

Also, Swaddlers, an "own label" producer in Gateshead, has just announced plans to build a plant in Northern Ireland, while Robinson's of Chesterfield which, not long ago, was the only UK domestic producer, has also been investing to modernise its disposable nappy manufacturing capacity.

In dramatic contrast, Colgate-Palmolive which dominated the UK disposable nappy market in the 1970s with an 80 per cent share of total sales, decided last year, as part of a world-wide streamlining of its operations, to quit the UK market altogether. This was after its share had sunk to less than 5 per cent. But the group remains committed to nonwovens through its Kendall subsidiary.

For years the most significant feature of the UK diaper market was the lack of penetration of disposables; the vast majority of mothers stuck doggedly to the terry towelling nappies preferred by their mothers and grandmothers before them.

Elsewhere in northern Europe and America, the majority of mums showed no such resistance. In Sweden, the penetration of disposables is 99 per cent, in France 98 per cent, West Germany 90 per cent and in the US 75 per cent.

But then, after years of promotional effort, mothers in the UK suddenly began in the early 1980s to succumb to the attractions of the throwaway product and the market has been growing sharply ever since.

Last year, UK sales increased by an estimated 32 per cent to a value of £250m equating to around 1.9bn nappy changes.

This year, the market leader, Peaudouce, is forecasting a further 20 per cent growth in UK sales to £300m, with 65 per cent of an expected 3.4bn total nappy changes involving a disposable. This compares with only around a 27 per cent penetration four years ago.

If the UK market goes on to reach Continental usage levels, according to the latest Euromonitor report on the baby market, sales could soon be worth in excess of £400m, and well over £500m by 1990.

The increased market for disposables will arise not just from the switch away from terry towelling. The number of live births in the UK is also expected to start increasing again from 727,000 in 1984 to 807,000 per cent by 1990. This is as the children of the 1960s baby boom start their own families.

According to Euromonitor's researches, Peaudouce's Babyslips have a 23 per cent share, and the same company's Lovmi 5 per cent, while P & G's "Pampers" brand is down to 21 per cent, followed by Boots's own label which has a 19 per cent share. In all, own label brands have a 44 per cent share.

This happened in spite of the fact that last year, P & G apparently more than doubled its advertising spend in the UK to £5m. But this outlay was topped by Peaudouce which spent £6m last year (compared with just £159,000 in 1985) and is planning to spend a further £6m this year.

Besides advertising and promotion, the battle for market share is also being fought with improvements to the basic product such as resealable tabs, elasticated legs (important for preventing leakage) and resealable waistbands.

The next battleground—which is unlikely to be confined to the UK but extend to the whole of Europe—is expected to involve diapers incorporating superabsorbents. These are acrylic or starch chemicals which are added to the core of the diaper either as a loose powder or fixed by adhesive to a sheet or web, because of their ability to soak up many time their weight of liquid.

The advantage of superabsorbents is that they allow the introduction of a much thinner, less bulky product which is of benefit to the look of the baby and also suits retailers, who have long been concerned at the amount of shelf space occupied by disposable diapers.

In Europe, there has been a reluctance to introduce superabsorbents not least because of general concern over placing a chemical, albeit one protected by a nonwoven, within reach of babies.

The problem is said to be theoretical "The baby would have to chew and swallow the whole diaper to be adversely affected" as one specialist put it. And, by all accounts, P & G is test marketing its proposed range of superabsorbent disposables for the UK in the Channel Islands.

Whether they will enable P & G to wrest market leadership back from Peaudouce remains to be seen. It is an intriguing prospect. But equally, there is no guarantee that superabsorbents will sweep the board in Europe. The relationship between a mother, her baby and diapers is a complex one—as the slow development of the disposable diaper market in the UK compared with other parts of the world has so vividly demonstrated.

Robin Reeves

Coverstock

Polypropylene wipes the floor

IN THE late 1970s, the US giant, Procter and Gamble began marketing a disposable diaper with a porous nonwoven coversheet of polyester. The new diaper, which was backed with heavy promotion, was able to offer new levels of dryness previously unobtainable in disposable or traditional diapers.

The net result was a wholesale shift out of viscose covers into spun and thermally bonded polyester coverstock which guaranteed that the baby continued to feel dry.

However, the revolution still did not stop there. In the short space of five years, polyester itself has as been largely displaced, in the US and European markets at least, by a nonwoven coverstock of thermally or spun bonded polypropylene.

Polypropylene has the advantage of being a cheaper fibre than polyester. It also bonds at a lower temperature and is 100 per cent hydrophobic, whereas polyester does absorb 1-2 per cent moisture.

These days, supplying coverstock to the disposable diaper and sanitary napkin market is becoming very much a commodity business. The West European market currently uses 65,000 tonnes or about 3.5bn sq metres of coverstock a year. Even so, everyone agrees that there is overcapacity and that the whiphand currently lies with the buyer rather than the seller. A number of companies have decided to abandon it as essentially an unprofitable business long-term.

The industry is coy about quoting prices but no-one quarrels with the suggestion that coverstock prices have fallen by some 25 per cent over the past 18 months; even if this partially reflects a decline in oil and energy prices.

Polypropylene coverstock is produced essentially in one of two ways—either by spun bonding or dry laid thermal bonding. In spun bonding, pellets or granules of polymer are melted into an extruder, and passed through a spinnerette. The material is then stretched with the help of pressurised air before being laid down by a suction belt to create a fleece for bonding. Dry laid producers using traditional carding machines lay down a fleece of polypropylene fibres prior to bonding.

Europe currently has four principal suppliers of spunbonded polypropylene nonwovens for the coverstock market. Leading the field are two German producers, Freudenberg, the pioneer of the nonwovens industry, and Corovin, a German producer acquired last year by BPB, the British building materials group. Both have recently doubled their polypropylene spunbond capacity to 15,000-16,000 tonnes a year. Third is a Swedish company, Holmens Bruk, which two years ago signed a technical knowhow agreement with a leading US producer, Crown Zellerbach (acquired last year by the James River Corporation). It now produces 7,000 tonnes a year of spun bonded material for this market. Fourth is Alsace-based Sodoca, a subsidiary of the Swiss Holzstoff group, which has about 5,000 tonnes capacity.

All four compete against dozens of dry-laid polypropylene cover stock producers who, until recently, could argue that their method of production produced a more even, stronger coverstock with a softer feel than the spunbonded material, which has tended to be flatter and firmer.

But both Freudenberg and Corovin say that their new capacity is producing coverstock with a softness equal to that of dry laid material. Corovin is also particularly proud that its new coverstock material is isotropic; that is, it has equal strength in all directions.

Some in the industry believe spun bonded material must eventually take over the whole diaper, hygiene and incontinence coverstock markets, integrated, and therefore ultimately cheaper process. Dry laid producers, the argument goes, are only surviving because of the high capital investment required to create new spunbonded capacity.

There are others who say that the introduction of superabsorbents will change thinking about the coverstock once again—that the barrier properties of the material will take on renewed importance and that this will favour the dry laid product.

On the other hand, it is not inconceivable that polypropylene nonwovens will be displaced from the coverstock altogether, like viscose rayon and polyester before it. Certainly, many nonwoven producers are convinced there will be further major changes in the make-up over the next few years. The diaper has already become a highly engineered structure compared with just a few years ago.

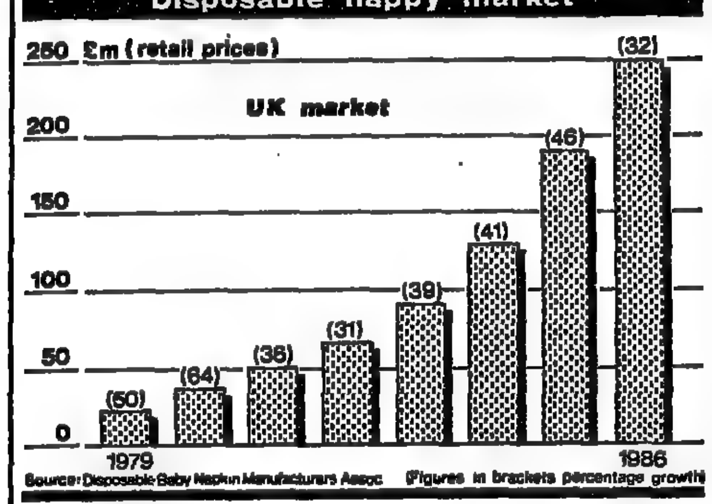
Such an important market for the nonwovens industry could equally well be radically altered by environmental pressures. Two bills were recently laid before the state legislature of New Jersey in the US which propose banning the sale and distribution of "any infant or personal care, or feminine hygiene, product that is composed . . . of plastic or other non-biodegradeable material."

Were such legislation to be passed and be adopted elsewhere, it would clearly mean yet another major upheaval in the make-up of the diaper.

Robin Reeves

Mr Norbert Dahlstroem, managing director of Freudenberg, and current chairman of the European Disposables and Nonwovens Association, EDANA: "Better statistical information is now vital for future investment in the industry."

Disposable nappy market



Source: Disposable Baby Napkin Manufacturers Assoc (Figures in brackets percentage growth)

Japanese market

Catching up with West

ONE OF the few glimmers of light in Japan's textile industry is the nonwoven sector. While many of the mainstream synthetic fabric manufacturers are suffering from falling sales and shrinking margins, the nonwoven sector continues to grow at a steady 7 per cent of so a year.

Production, which in Japan is mostly of the dry laid type, totalled 104,553 tons in 1985, compared with 76,845 tons in 1981. The industry is being cushioned from the effects of the strong yen, since it does not rely on export markets for a healthy bottom line and imports very little of its raw materials.

In 1985, the last full year for which statistics are available, net nonwoven textile exports totalled 3,058 tons, or 7.9bn yen. In particular, all is quiet on the US front, since its exports to Japan continue to outstrip its imports by a wide margin. In the case of EEC countries, Japan was a net importer in volume terms in 1985, but a net exporter in value terms because of the small quantities of high value-added products it ships, such as synthetic leather.

Commented Mr Sadao Tswchibayashi, managing director of the Japan Nonwoven Fabrics Manufacturers Association: "Exports are not a problem. They account for only about 13 per cent of production in tonnage and about 23 per cent in value."

Fibre makers have almost caught up with the West, either manufacturing under licence or using their own technology to make sophisticated items. Only recently have companies attempted to come to grips with the versatility of rayon staple—used extensively in nonwovens worldwide—but now they are too strapped for cash to invest heavily in production facilities. Processing knowhow too came largely from overseas—spun bonding from the US, and resin bonding and needle punch from Europe.

Dominating the market is Japan Vilane company. A joint venture between Dainippon Ink & Chemicals Inc., Carl Freudenberg of West Germany and Toray Industries Inc., which was set up in 1960, it accounts for around 50 per cent of Japan's overall output of nonwovens and claims a wider range of applications than any of its rivals.

But it is more concerned about competition from woven textiles for products like air filters and garment interlinings than from its own kind. Explained Mr Yoshio Sugaya, Vilene's general affairs manager, "Although interlinings were made only of wovens 15 years ago and have now lost 50 per cent of their market in Japan to non-wovens, traditional products can still be a threat."

Aware that investment is necessary if it is to keep ahead, Vilene more than doubled its capital in 1985 from about Y2.3bn to Y4.7bn to finance a reorganisation of its research and development operations. It is consolidating the division into two complexes—one in the western Kansai region for basic research and the other in the Tokyo area for applied.

It is questionable which products have the greatest potential. Some sources argue that the medical sector is in front, while others say the Ministry of Health and Welfare is hampering the market. They accuse the authorities of being slow to grant approval for products made with new technology such as Asaki Chemical's spun bonded cuprammonium to be sold over-the-counter with medical insurance cover. Asaki's cuprammonium gauze finally got the go-ahead last November.

According to Mr Tsuchibayashi, the industrial and household sectors hold the greatest promise. "In the US and Europe, more than 50 per cent of nonwoven products are disposable, whereas only 15 to 20 per cent are here. The concept of disposables is not as deeply ingrained."

The disposable diaper market has started to grow. Disposables have penetrated an estimated 32 per cent of the potential market in Japan, having progressed especially rapidly in 1985. But they are still a long way behind the penetration rates in the US and Europe, and have plateaued recently, perhaps because prices have not come down far enough.

Nonwovens for diapers probably earn the biggest margin of all applications at the moment, but analysts do not expect this to last as the market matures and absorbent chemicals become a more important component to satisfy retailers seeking more from their shelf space and mothers (and babies) seeking less bulk.

Barbara Casassus

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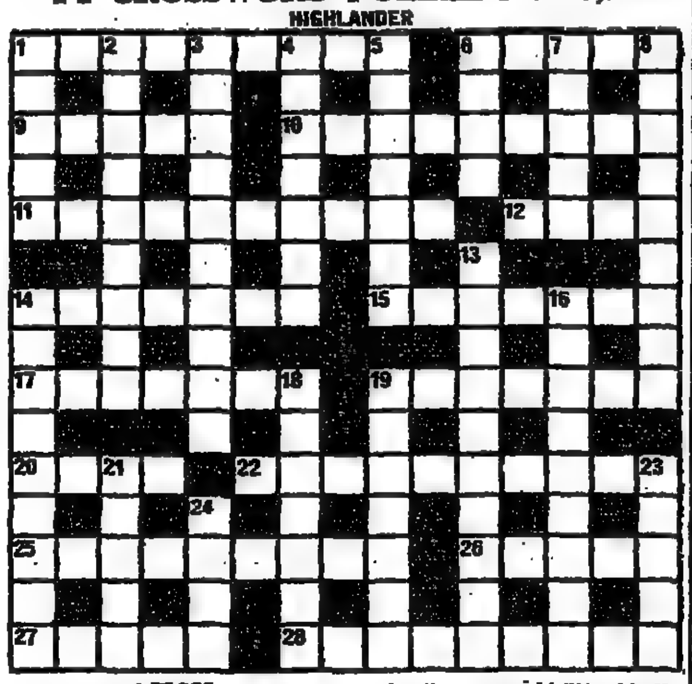
HIGHLANDER



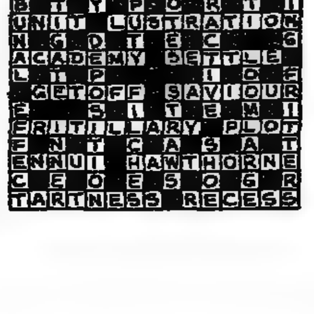
ACROSS

1 'Where's the sauce?' said Bertie (9)
6 Heard policemen in the bushes (5)
9 Just the job for one piece of wood (5)
10 Might couple be spliced at sea? (9)
11 Perhaps watches American magazine items (10)
12 Abandoned port (4)
14 Wine is near fermentation—about time (7)
15 Holiday-maker slips very quietly into old German city (7)
17 Daily content of ordinary fruit trees (7)
19 The account for a solo performance (7)
20 It's like an egg and often has batter on it (4)
22 Release missing sailor—that's one answer (10)
25 Commonly known as drug that's on the street quickest (9)
26 This dance was an unexpected development (5)
27 The old people in Arabia (5)
28 Note visible sign of embarrassment and exhaustion (9)

DOWN

1 Old-fashioned quiet game of cards (5)
2 Is room at top of house sound with old and diseased joints? (9)
3 Cryptic 20 across like Gilbert's proposed billiard balls (10)
4 Transient worker gets overtime manufacturing paint (7)
5 Right about top class people making clothing (7)
6 Solid and cheap utimately but expensive initially (4)
7 Park on the path—it's a level surface (5)
8 Test supports choice of voters (9)
13 Reduced to being ignored (10)
14 Your lot is wildly out of order (9)
16 Rhode Island detectives spread about to find killer (9)
18 A peerage of mixed breed and race (7)
19 Fowl, disturbed, rose to top of ridge (7)
21 A rafter on a parallel course (5)
23 Observes attack, retreats (5)
24 During his period in Scandinavia he was worshipped (4)

Solution to Puzzle No. 6,260



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Investment Funds				
Mixed	150.9	158.9		—
Equity	179.3	188.8	+0.7	—
Property	113.9	119.9	+0.1	—
Gilt & Fixed Interest	117.9	124.2	+0.7	—
Indexed Securities	104.5	110.0	+0.6	—
Cash	110.0	115.8	..	—
North American	119.8	126.2	−1.3	—
Far East	141.3	148.8	−1.1	—
International	137.0	144.3	−0.4	—
Special Situations	166.3	175.1	−1.6	—
International Income	159.6	168.0	−1.4	—
American Income	124.8	131.4	−1.3	—
European	161.5	170.0	+1.4	—
Flexible Retirement Plan				
Mixed	154.9	163.1	−0.8	—
Equity	169.9	178.8	−1.8	—
Property	117.7	123.9	+0.1	—
Gilt & Fixed Interest	125.7	132.4	+0.7	—
Indexed Linked	110.3	116.1	+0.7	—
Cash	119.3	125.6	+0.1	—
North American	129.2	136.0	−1.7	—
Far East	163.9	172.6	−1.8	—
International	150.9	158.9	−0.7	—
Special Situations	195.2	205.5	−2.4	—
European	178.7	188.2	+3.0	—
Executive Investment Pension Plan				

Prices on February 11. Unit dealings on Wednesday.

Cash Fd	145.1	152.8		—
Mixed Fd	220.2	231.8		—

Devonshire Life—Contd.

Money	100.9	106.3	+0.1	—
Pen Managed	142.6	150.3	+1.1	—
Pen World Growth	109.8	115.7	+1.2	—
Pen UK Equity	159.7	168.2	+1.3	—
Pen UK Small Cos	140.8	148.3	−0.3	—
Pen European	101.8	107.3	+0.7	—
Pen Far Eastern	259.2	272.9	+10.1	—
Pen Nth American	100.2	105.5	..	—
Pen Fixed Interest	114.2	120.4	+0.9	—
Pen Index Lnkd Stks	107.0	112.8	+0.8	—
Pen Money	106.6	111.6	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	104.8	110.4	+0.1	—
Blue Chip Fund	139.3	146.7	+0.1	—
Performance Fund	165.7	174.5	...	—
Adventurous Fund	159.1	167.5	+0.3	—
Pensions Secure	96.3	101.4		—
Pensions Blue Chip	107.6	113.3	+0.1	—
Pensions Performance	107.2	112.9	−0.1	—
Pensions Adventurous	106.6	112.3	+0.3	—
Pensions With Profits	101.4	106.8	−1.8	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	184.1	190.8	—	3.86

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	182.7	192.3	+0.2	—
Fd of Inv Tsts	154.4	162.5	−0.2	—
Gilt & Fixed Int	117.5	123.7	+0.6	—
High Income	172.3	181.4	−0.3	—
Intnl Growth	115.7	121.8	−0.5	—
Managed	140.8	148.2		—
Money	109.6	115.4	+0.1	—
North American	128.3	135.1	−1.2	—
Pelican	162.8	171.4	...	—
Property	109.0	114.7		—
Special Sits	170.0	178.9	+0.8	—
School Fee Managed	155.8	164.0	...	—
Pension Funds				
Far Eastern	209.9	220.9	+0.3	—
Fd. of Inv. Tsts.	171.7	180.7	−0.2	—
Gilt & Fixed Int	122.5	128.9	+0.9	—
High Income	199.4	209.9	−0.3	—
International Growth	120.8	127.2	−0.6	—
Managed	155.8	164.0		—
Money	119.7	126.0	+0.1	—
North American	135.5	142.6	−1.6	—
Pelican	184.2	193.9		—
Property	109.3	115.1		—
Special Sit.	193.8	204.0	+0.7	—

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	495.9	522.0	−0.1	—
Higher Inc. Fund	478.8	503.9	+0.8	—
Property Fund	266.4	280.4		—
Fixed Interest Fund	241.4	254.1	+0.9	—
Index Linkd Secs Fund	111.5	117.3	+0.8	—
Gtd. Deposit Fund	179.4	188.8		—
Nth. America Fund	264.1	278.0	−3.0	—
Far East Fund	295.5	311.0	−1.9	—
Europe Fund	226.2	238.1	+1.4	—
International Fund	307.9	324.1	−1.0	—
Mixed Fund	369.6	389.0	−0.3	—
Ind. Pen. Equity (z)	619.1	651.6	+7.9	—
Ind. Pen. High Inc. (z)	141.6	149.0	+1.0	—
Ind. Pen. Fxd Int. (z)	269.8	283.9	−1.2	—
Ind. Pen. Idx-Lk. Sec. (z)	132.9	139.8	+0.7	—
Ind. Pen. Property (z)	217.6	229.0		—
Ind Pen N America (z)	115.9	121.9	−0.9	—
Ind Pen Far East (z)	162.6	171.1	−7.2	—
Ind Pen European (z)	124.4	130.9	+2.0	—
Ind. Pen. Overseas (z)	537.9	566.2	−1.2	—
Ind. Pen. Balanced (z)	399.2	420.2	+1.1	—
Ind. Pen. Cash (z)	215.7	227.0		—
Ind Pen DAF Ser 2(z)	120.5	126.8		—
Ind Pen DAF Ser 1(z)	230.8	242.9		—

FS Assurance Limited
190 West George St, Glasgow G2 2PA. 041-332 6462

Pens Balncd Gth Fd Co	28.1	29.6		—
Pens Balncd Gth Fd Ac	28.5	30.3		—
Cash Deposit Cap	23.7	25.1		—
Cash Deposit Accum	23.9	25.4		—

Family Assurance Society
19 New Rd, Brighton BN1 1WS 0273 724570

Family A. Managed	405.5	414.8	...	—
Family B. Managed	245.9	250.9		—
Family C. Bnt.	221.0	225.5		—
Family D. Fixed Int.	196.1	200.1		—
Family Capital Mngt.	231.2	236.0		—
Family Bnt. II	132.1	135.0		—
Family Growth Series 1	132.8	125.4		—
Family Growth Series 2	65.3	68.7		—
Fmly Concentrated Gth	62.1	65.3		—

Federation Mutual Insurance Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 394000

Managed	435.0	457.9	+1.0	—
Property	264.5	278.5		—
Fixed Int	162.3	170.9	+0.3	—
UK Equity	537.7	566.0	+4.6	—
Int Equity	345.8	364.1	-1.4	—
Deposit	198.5	208.9		—
Managed Property	247.2	260.3	+3.2	—
American Eagle	112.9	125.2	-0.9	—
Technology	111.1	117.0	-1.3	—
Worldwide Income	180.2	189.8	-0.1	—
Pacific	186.5	196.4	+0.4	—
Australian	95.0	100.1	+0.7	—
Japan	289.1	204.9	-4.1	—
Commodity	112.8	118.8	+1.5	—
Gold	142.5	150.0	+0.6	—
Financial	214.0	225.3	+1.1	—
Income	247.8	260.9	+0.9	—
Special Situations	237.5	250.0	+0.4	—
Preference	141.0	148.5		—
Managed Currency	94.8	99.8		—
European Spec. Sits.	202.5	213.2	+1.5	—
Sterling	100.3			—
Residential Property	99.2	104.4		—
Pension Funds				
Managed Pension	1319.4	1389.4	+1.9	—
Gilt Pens	362.9	382.1	+1.2	—
Property Pens	695.5	732.2	+4.5	—
Equity Pens	651.1	685.4	+5.7	—
Index-L Pign	129.3	136.2	+0.4	—
Gear Pen	261.9	275.7	+0.2	—
Leicester Retirement	161.4	169.9		—

Prices quoted are for Accumulation units.

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	188.3	198.2		—
Gilt & Fixed Int Fd	136.0	143.2		—
Cash Fund	124.3	130.8		—

Transatlantic Life Assur Co Ltd
6 New Rd, Chatham, Kent Medway 812348

LACOP Units	817.45	18.53		—

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

Managed	329.2	346.6	+0.2	—
Gtd Mgd	296.9	312.7	+0.9	—
Property	326.8	344.1		—
American	263.3	277.3	-1.3	—
UK Equity Fund	372.7	391.3	-0.9	—
High Yield	441.6	464.9	-0.7	—
Gilt Edged	257.4	271.0	+1.3	—
Money	262.8	276.7		—
International	264.0	278.0	+0.6	—
Fiscal	290.1	305.4	+0.3	—
Growth Cap.	295.9	311.4	+0.5	—
Growth Acc.	376.5	396.3	+0.3	—
Pens. Equity Acc.	528.9	556.9	-1.1	—
Pens. Mngd.	512.6	540.7		—

The Porchester Group
41 Wimpole Street, London W1M 7DA 01-493 9090
Porchester Managed Funds

Albany (z)	120.4	126.6	+0.1	—
Cornhill (z)	107.0	113.0	-1.0	—
Irish Life (z)	115.30	121.40		—
Royal Heritage (z)	105.60	110.20		—
Schroder (z)	101.10	106.40	-0.4	—
Skandia (z)	122.10	128.50		—
Target (z)	124.70	131.30	+0.4	—
Trident (z)	118.80	125.20	+0.4	—
Porchester Managed Pension Funds				
Albany (z)	132.60	139.50	+0.5	—
Schroder (z)	99.7	104.9		—
Skandia (z)	129.20	136.00		—
Target (z)	115.50	121.60	+0.4	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	125.0	129.5		—
Pens. Man-Schroder	495.0	521.8	+2.8	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	104.6	110.2	+0.8	—
Guardian Royal Exch	101.0	106.4	+1.5	—
M&G Ass (Life)	117.3	123.5		—
M & G Ass (Pens)	135.9	142.8		—
Norwich Union Ass Mgr	54.6	57.5	-0.1	—
Royal Life (Unit Lnk Ass)	107.9	113.5		—
Scot Equitable (Life)	151.9	159.9		—
Scot Equitable (Pens)	104.4	109.9		—
Scot Mutual (Life)	156.6	164.9	+1.0	—
Scot. Mutual (Pens)	142.5	150.0	+1.4	—
Vanbrugh Life Ass.	121.1	127.5		—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX 01-242 2263

Target Mngd Bond	191.8	201.9	+0.8	—
Target Mngd Pension	127.3	134.0	+0.3	—
Albany Mngd Bond	164.1	172.7	+2.1	—
Albany Mngd Pension	207.9	218.8	+3.0	—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (RH)	174.1	183.3		—
Ultra Bond (Ray H)	144.0	151.6		—
Fixster Managed (Han)	145.3	153.0		—
Global Managed (Schr.)	128.4	135.1		—
Pension Fund (Ray H)	120.0	126.4		—

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA
37 rue Notre Dame, Luxembourg Tel: 47971

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$21.11			—

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$18.51		+0.01	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth	10.78		-0.03	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$16.51		+0.01	—
Dynamic Gwth Fd	$21.27		+0.19	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.42	13.13		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

Charities Aid Fndtn Money Mngmt Co Ltd
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

	Gross	Net	Gr Equiv CAR	Int Cr
CAFCASH Call Fund	10.86	8.12	11.90	3-mth
CAFCASH 7-day Fund	10.67	7.97	11.71	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	10.75	(11.19)		and 3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fund	11.15	8.35	12.03	6mth
7-day Fnd	10.96	8.19	11.83	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	10.94	8.18	11.76	6-Mth
7-day Fund	10.74	8.05	11.34	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Cur Acc	10.25	7.50	10.84	Qtr

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	10.25	7.66	11.10	Qtr
MnthCnq £1000-£5000	10.00	7.48	10.40	Mth
Mth. Int. Cnq £5,000+	10.25	7.66	11.18	Mth

Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-626 2046

	Gross	Net	Gr Equiv CAR	Int Cr
HICA, HICMA	11.25	8.41	12.31	Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Cheque Acc.	10.25	7.66	11.18	Mth

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

INTERNATIONAL COMPANY NEWS

LME copper stocks plunge to 8-month low

By Stefan Wagstyl

SHORTAGES OF copper in North America have sent consumers foraging across the Atlantic to buy metal, causing a dramatic fall in stocks at the London Metal Exchange.

Stocks LME warehouses fell 18,100 tonnes last week, the largest weekly fall since February 1984. This followed a substantial 6,950-tonne reduction the previous week.

Prices were not affected by the news, however, because traders had been aware of the shipments leaving official warehouses. Metal for immediate delivery closed £13 down at £922.50 a tonne. One trader said that a number of merchants had recently been sifting through the market's stocks—buying material and retaining better quality metal for sale and returning the rest.

Some dealers blamed the shortage of copper in North America on the prolonged dispute at the Horne smelter in Quebec, which was expected to end yesterday.

About 800 Horne workers, employed by the Noranda mining group, were dut to vote on a settlement plan. The 240,000-tonne-a-year plant has been running at about 10-20 per cent capacity since the strike began in early November.

Traders are divided over whether prices will slip back if the settlement is agreed. Some maintain that stock shortages persist, pointing out that LME stocks are at their lowest, at 151,175 tonnes, since last June. Others argue that there will be sufficient material to meet demand, particularly after Noranda's output recovers. The company's Montreal refinery has been unable to fulfil all its January and February orders.

Meanwhile, LME stocks were also down in the aluminium market, where shortages of supplies for immediate delivery have been driving up prices. The total fell 8,225 tonnes to 97,475 tonnes, the lowest since September 1981.

Traders said some producers and merchants were playing the rapidly-growing market in aluminium options, which are traded off the floor of the exchange and so are difficult to control. Some dealers and LME officials believe prices can be forced up artificially in this way by creating an exaggerated impression of demand. Rule changes are planned when the LME introduces a clearing house trading system in May.

Canadian coal mine's future in the balance

BY BERNARD SIMON IN TORONTO

THE FUTURE of the troubled Quintette coal mine in north-east British Columbia is in the balance as the mine's Japanese customers and international bank lenders consider proposals to ensure continued operations.

Mr Stephen Roman, chairman of Denison Mines of Toronto, which is half-owner and operator of the mine, warned the company's annual meeting that "the project today can be scuttled by all partners in it, but mainly by the Japanese steel industry and the banks."

Mr Roman's remarks are interpreted as an effort to discourage the Japanese from forcing new volume and price cuts on Quintette and on the banks to accept a rescheduling of Quintette's C$800m (£394m) debt. Talks have begun between Denison and the Japanese on contract terms for the delivery year starting on April 1.

Quintette, Canada's biggest coal mine, has been plagued by financial and operating difficulties since it opened three years ago. Japanese steel mills, which have a sizable minority shareholding in the project, have protected it up to now by paying Quintette a much higher price than other suppliers.

The mine took an C$8.50 price cut last summer to C$93.50 (US$69), which is still well above prevailing market prices. The Japanese also exercised a right last year to reduce purchases by 5 per cent, cutting the mine's metallurgical coal shipments to 4.8m tonnes in the year to April 1 1987.

The Japanese steel industry's financial problems and protests from other coal suppliers at the favourable terms granted to Quintette have increased pressure on the Canadian mine to accept further sacrifices.

Quintette's president, Mr Paul Kostiuk, said that further cuts in contract prices will require concessions from the mine's 56 lenders. He warned that, without such concessions, the mine will be forced to close.

Among the changes requested by Denison is a lengthening of the debt repayment period from 10 to 15 years. The banks earlier agreed to suspend various financial performance criteria required by the loan agreements. The long-term viability of the mine also depends on banks' willingness to finance construction of a new pit.

Mr Geoff Carter, mining analyst at Pemberton Securities in Toronto, predicted yesterday (Monday) that the Japanese "are going to squeeze Quintette, but they're not going to kill it."

Gulf states agree oil aid for Qatar

BY RICHARD JOHNS

OIL MINISTERS of the Gulf Co-operation Council have agreed on mutual assistance programme to help members which cannot fulfill their quotas under the Organisation of Petroleum Exporting Countries' production sharing agreement to market their output.

The decision announced at the end of their meeting in Doha, Qatar, on Sunday was seen as a gesture of support for Qatar which faces a drastic fall in orders for its crude. Oil industry executives, however, are sceptical whether the other five producers in the group—Saudi Arabia, Kuwait, the United Arab Emirates, Oman and Bahrain—can in practice do anything to assist the struggling producer.

Qatar is likely to average only 180,000 barrels a day in February compared with a quota under the Opec pact of 280,000 b/d. Worse, only two cargoes have been "nominated" — or ordered — for March.

A statement issued by the Ministers said: "Any (GCC) country that has the marketing potential will help other (GCC) countries that might be unable to market their full production quotas." They also made a veiled reference to the breach of quotas by the United Arab Emirates and Kuwqit clearly indicating that the sensitive subject had been broached direct. "Successful consultations were in progress to restore production to the prescribed levels," the statement said.

Consumers seek coffee quota shake-up

By Andrew Gowers

COFFEE IMPORTING countries yesterday signalled their readiness to negotiate for the reintroduction of quota controls on the market, which has been operating freely for more than a year, but proposed what amounts to a significant shake-up among exporters.

At the start of a meeting of coffee producers and consumers in London, officials from the importers presented a new proposal for carving up the market among exporters on the basis of their average exportable production between 1980 and 1986. However, producers—studying the plan last night—seemed likely to oppose it on the grounds that it was arbitrary, and that it tampers with the delicate political calculations underlying their market shares.

The consumers' proposal apparently seeks to reduce the share of the market guaranteed to Brazil, the largest producer whose 1986 crop was cut sharply by drought damage, and to increase the share given to Colombia, the second largest producer. It would also benefit Indonesia, which has long claimed that it has an unjustifiably low quota, and disadvantage the Ivory Coast.

Export quotas—the main mechanism for regulating the coffee market under the International Coffee Agreement—were suspended last February when prices were soaring as a result of the Brazilian drought. Prices have since slumped, however, and exporters have been pressing with increasing urgency for the reintroduction of export restrictions as a safety net.

Before agreeing to this, the consumers made clear yesterday, they want more flexibility and fairness introduced into the quota system. The producers have proposed keeping shares unchanged and setting a total export quota of 58m bags (60kg each) for the 12 months from March 1. They said this suggestion was still on the table yesterday.

Under the consumers' proposal, quotas would be calculated in two parts: one fixed and based on exportable production in the coffee years (Sept-Oct) from 1980-81 to 1985-86; the other variable and based on recent verifiable stocks.

Before taking into account small exporters' shares, this would give Brazil a share of 28.8m bags compared to its current 30.55m; Colombia 17.11m vs 16.13m; Ivory Coast 6.59m vs 7.68m; and Indonesia 5.83m vs 4.51m.

Moscow buys US maize as 'gesture'

THE SOVIET Union is believed to have recently purchased 1m tonnes and possibly as much as 2m tonnes of maize from the US as a "gesture" prior to talks beginning later today on the long-term grain agreement, according to US grain traders, reports Reuter from Washington.

The traders said the Soviets may have purchased US maize in part to entice the Reagan Administration to make another offer of wheat under the Export Enhancement Program.

There has been no official confirmation of the sales by the US Agriculture Department (USDA), although on Friday it announced a sale of 150,000 tonnes of maize to an undisclosed destination.

Grain prices rose last week on rumours of Soviet maize buying and speculation that the USDA may offer Moscow subsidised wheat.

US grain trade sources said they were informally contacted last week by Soviet grain buyers, who indicated that Moscow was interested in buying US grain.

Mr Joe Halow, executive director of the North American Export Grain Association, said the Soviet Union is interested in an EEP wheat offer from the US.

If the administration offered the wheat, "I think they would take it," he said.

Mr Halow and other traders said, however, that any US subsidy offer would have to make US wheat price-competitive with other offers. They noted that the USDA was criticised last year for setting the Soviet wheat subsidy at a fixed level of only $13 a tonne.

While the Soviets appear interested, grain traders said they are uncertain whether the administration is willing to make another offer of subsidised wheat to Moscow following the abortive offer last year.

USDA officials contacted representatives of some major grain trading firms last week to ask if the traders believed the Soviet Union would buy US wheat under any export enhancement programme offer, grain trade sources said.

But there has been no hint from senior administration officials whether such an offer is seriously contemplated.

A senior aide to Mr Richard Lyng, the Agriculture Secretary, said on Friday: "I do not see us proposing that (EEB) as a carrot unless the Soviets express an interest in it first."

Australian lead-zinc mine planned

THE BROKEN Hill Proprietary Company and Billiton, a Royal Dutch/Shell Group subsidiary, are to develop the Cadjebut lead-zinc deposit in Western Australia, reports Reuter from Melbourne.

The mine, in the West Kimberley region, will produce 44,000 tonnes of zinc and 13,000 tonnes of lead contained in concentrates annually, BHP said.

BHP will own 58 per cent and Billiton 42 per cent.

Mining of 320,000 tonnes of ore a year will begin early in 1988. Mineable reserves at Cadjebut are put at 2.5m tonnes containing 14 per cent zinc and 4.5 per cent lead.

The growing voice of the small farmer

FARMER'S VIEWPOINT

By John Cherrington

DR DAVID Owen, leader of Britain's Social Democratic Party, recently suggested to a farming audience in the Cotswolds that one cure for the EEC cereal surplus would be a two tier support system, with the guaranteed price being paid only on the quantity actually needed to satisfy existing demand, and the balance being paid for at the world price. There was no point, he suggested, in encouraging farmers to grow any more than was needed.

He was quite soundly reviled for his pains, and I have not seen any reference to it in the SDP's electoral package. But there is no doubt that the idea is under discussion, both in Britain and abroad. In fact there is a group of what might be called the low subsidy producers which is trying to persuade the EEC and the US to co-operate in efforts to bring world production into line with demand.

The idea is not new. But what is new is that there are numbers of farmers in Britain who are beginning to think the same way. There is a British small farmers' movement, of no great consequence politically, which is trying to persuade the National Farmers' Union to adopt the principle of differential payment according to size of enterprise. A year ago the union promised to try and do something about it. It obviously hoped the problem would go away, but it did not, and Mr Jeff Pullin, a West country farmer, recently had a blazing row with Mr Simon Gourlay, the NFU President, charging him with abandoning small farmers in order to protect the larger ones.

Mr Pullin was undoubtedly right. The NFU is a democratic organisation but its subscriptions are based on acreage, and the larger farmers who would suffer most under any differential payment system, would not stand for it.

The argument of Mr Pullin and those who think like him is that it is not they who are causing the surpluses but those who try to reduce their unit costs by increasing production. This is happening with everything except milk which is now under quota. There is no doubt that the milk quota has been a success in farmers eyes, because it has been seen to be fair. That it has not reduced milk surpluses as far as it was designed to can be put down largely to maladministration in certain countries.

In Europe, where farms are generally much smaller than in Britain there is an acceptance of the small farmer's special claims, and those of other minority groups. In France, in particular, there is financial assistance for young farmers, and in other countries too. Nor is the EEC Commission free of this bias. During the discussions on the beef regime, just now progressing, the British Government is fighting the suggestion that the headage payment for cattle should discriminate against large herds—a measure which would hit many British farmers.

Here we come to the major difference between British and European farming. The Common Agricultural Policy was originally designed to raise the living standards of the European rural populations into line with those of the town dwellers. It was seen as a social measure and no one realised that its results would become such an economic embarassment.

The concept of farming as a way of life is still accepted in most European countries, particularly in West Germany where it is regarded as a suitable alternative to the proletarianism of the neighbouring communist states.

I do not think it sensible to suggest, as some do, that the small farmers of the Community can be bought off with income aids. As a farmer well past retirement age myself, I would be horrified to be forcibly pensioned off and can well understand that this option has little merit in the eyes of European farmers.

And I doubt if a system such as we enjoyed in the UK until we joined the Community would fit the bill. It was designed to limit production by limiting support to a standard quantity. This meant that the deterrent to overproduction was an overall price reduction because it applied to every one. The quota system only penalises the individual over-producer.

It seems to me that the well established technical excellence of British farming is not going to be too much of an asset in the future and that the social aspects of the common agricultural policy, will carry much more weight. So it would probably be more profitable for Mr Pullin and his friends, to cultivate the European small farmers' organisations, instead of battling with the efficiency syndrome which is the mark of British farming policy. After all in terms of numbers the European small farmers are the masters now—a concept some find hard to accept.

COMMODITIES AND AGRICULTURE

LONDON MARKETS

SENTIMENT ON the London robusta coffee futures market remained subdued as traders awaited esigns of progress at the International Coffee Organistation talks on the resumption of export quotas, which began at the ICO's London headquarters yesterday. Bulls seemed to gain some encouragement, however, from reports that the consumers were willing to negotiate on quota shares, having already rejected a producer proposal for unchanged national allocations. This helped to lift the market somewhat and the May position ended the day £16 higher at £1,527 a tonne. On the London Metal Exchange lead values drifted lower, in spite of the announcement of a biggish fall in LME warehouse stocks of the metal last week. And zinc succumbed to increasing downward pressure, falling £5 to £481.50 a tonne in the cash position. That fall was influenced by sterling's gains against the dollar and a modest rise in LME stocks last week.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	859-60	−1	—
3 months	850-1	−4.25	856/846

Official closing (am): Cash 810-1 (847-58): three months 851.5-2 (846-7): settlement 871.5 (856). Final Kerb Close: 848-849. Turnover: 12,750 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	922-3	−13	934/934
3 months	924-4.5	−7	937/920

Official closing (am): Cash 934-4.5 (926-6.5): three months 933.5-4 (928-8.5): settlement 934.5 (928.5). Final Kerb Close: 921-922.

Standard			
Cash	887-90	−5.5	—
3 months	899-902	−9.5	—

Official closing (am): Cash 897-900 (887-90): three months 908-11 (902-5): settlement 900 (890). US Producer prices 66.5/70 cents per pound. Total turnover: 53,300 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	298-9	−2.75	301/300
3 months	299-300	−1	302.5/299

Official closing (am): Cash 301-1.5 (298-9): three months 300-0.5 (298-8.25): settlement 301.5 (299). Final Kerb Close: 298-299. Turnover: 8,025 tonnes. US Spot. 24/27 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2460-5	−30	2470/—
3 months	2475-80	−15	2490/2470

Official closing (am): Cash 2470-5 (2483-5): three months 2480-1 (2499-500): settlement 2475 (2495). Final Kerb Close: 2465-2475. Turnover: 1284 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	481-2	−5	—
3 months	475-6	−4	480/475

Official closing (am): Cash 485-5.5 (484-5): three months 479-80 (477-8): settlement 485.5 (485). Final Kerb Close: 474-475. Turnover: 7450 tonnes. US Prime Western: 38.5/44 cents per pound.

TIN

Kuala Lumpur Tin Market: Close 16.99 (16.98) ringgit per kg. Unchanged.

GOLD

Gold rose $4 to $403½-404 on the London bullion market yesterday. It opened at $403½-405 and was fixed at $403 in the morning and $403.20 in the afternoon. The metal touched a peak of $405-405½ and a low of $401½-402. Dealers said the general trend in London was weaker, as gold failed to maintain the levels seen in New York on Friday following news that Brazil is to suspend payments on foreign debt.

GOLD BULLION (fine ounce) Feb. 23		
Close	$403¼-404	(£262-262½)
Opening	$404¼-405	(£263¼-263¾)
M'n'g fix	$403.00	(£262.114)
Aft'n'n fix	$403.20	(£261.816)

GOLD AND PLATINUM COINS		
Am Eagle	$415-420	(£269¼-272¼)
Mapleleaf	$413½-416½	(£268¼-270)
Kr'g'r'nd	$404-407	(£262-264)
½ Krug	$212½-213½	(£137¾-138½)
¼ Krug	$108½-109½	(£70¼-71)
Angel	$410½-413½	(£266¼-268¼)
1/10 Angel	$41-45	(£26½-29¼)
New Sov	$96½-97½	(£62½-63¼)
Old Sov	$97-98	(£63-63¾)
$20 Eagle	$480-530	(£311¼-343¾)
Noble Plat	$535-545	(£347-352¾)

SILVER

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	356.30p	+0.05	355.5p	−1.5
3 months	365.45p	−0.05	364.5p	−1.5
6 months	374.40p	+0.10	—	—
12 months	392.85p	+0.10	—	—

LME—Turnover: 6 (0) lots of 10,000 oz.

Three month high/low 366. Final kerb 365-7p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
April	123.5-125.0	—	—
June	116.0-114.5	−1.00	—
August	110.0-110.5	−0.55	110.5-110.5
October	110.5-110.8	−0.05	111.0
Dec	112.8-112.5	−0.05	112.5
Feb	115.1-115.5	−0.05	—
April	118.0-118.0	—	—

Sales: 130 (384) lots of 20 tonnes.

MEAT

FUTURES—Live cattle: Feb 95.50, April 97.00. Pigs: Feb 96.30, April 95.80, June 95.80, Aug 94.80.

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 93.24p per kg lw (+0.77); GB—Sheep 176.98p per kg est dcw (+1.33); GB—Pigs 76.59p per kg lw (+0.71).

INDICES

REUTERS

Feb. 23	Feb. 20	M'th ago	Year ago
1586.4	1578.7	1592.7	1817.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 20	Feb. 19	M'th ago	Year ago
Spot	114.50	114.14	—	127.14
Fut	116.58	113.61	—	132.74

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Feb. 23 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1400/420	+40	$1255/255
Copper			
Cash Grade A	£922.5	−13.0	£877.5
3 mths	£924.25	−7.0	£899.25
Gold Troy oz	$403.75	+4	$409.75
Lead Cash	£298.5	−2.75	£290.5
3 mths	£299.5	−1.0	£292.5
Nickel			
Free Mkt	172/192c	−5	158/190c
Palladium oz	$118.50	+0.40	$124.85
Platinum oz	$516.50	+0.75	$528.00
Quicksilver†	$175/185		$158/180
Silver troy oz	356.30p	+0.05	361.45p
3 mths	365.45p	−0.05	371.15p
Tin			
Free Mkt	£4450/480	−10	£4470/500
Tungsten	$44.51		$43.18
Wolfram 22.0lb	$39/45		$36/48
Zinc	£481.5	−5	£489.5
3 mths	£475.5	−4.0	£485.5
producers	$770/790		$880
OILS			
Coconut (Phil)	$410 x	+5	$445
Palm Malayan	$310v		$375
Copra (Phil)	$260y		$290
Soyabean (U.S.)	$138	—	$140
GRAINS			
Barley Fut. May	£117.65	+0.80	£113.60
Maize	£143.50		£143.00
Wheat Fut. May	£118.85	+0.85	£114.95
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1359.5	−3.0	£1389.5
Coffee Ft. May	£1527.0	+15.0	£1602.5
Cotton A Ind.*	55.60c	+0.35	57.00c
Gas Oil Apr.	$142.0	−2.25	$158
Rubber (kilo)	61.00p	−1.75	64.75p
Sugar (raw)	$182.5z	−1.5	$172
Wooltops 64s	422p kilo	+2	421p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. y Feb-March. v April. z March-April. x April-May.

COFFEE

With an ICO meeting yesterday the market traded cautiously with everybody looking for fresh direction from the discussions. Price-fixing by mid-morning took levels some £30 above Friday's close, the buying encountered trade selling and light profit-taking to close the day only £14 higher in moderate volume, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or −	Business Done
Mar	1525-1528	+14.5	1535-1500
May	1525-1528	+16.0	1542-1500
July	1542-1550	+17.0	1555-1516
Sept	1565-1570	+14.5	1577-1546
Nov	1590-1600	+13.5	1602-1575
Jan	1525-1535	+20.0	1626-1590
Mar	1600-1630	+10.0	—

Sales: 3,589 (5,829) lots of 5 tonnes. ICO indicator prices (US cents per pound) for February 20: Comp. daily 1979 112.68 (110.23); 15-day average 114.98 (115.36).

COCOA

Futures today traded in a limited range and ended a rather dull day marginally lower than the previous close. Physical interest was seen only in the secondhand market with producers and consumers prepared to stand aside at present levels, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business done
March	1308-1309	−5.5	1318-1307
May	1339-1340	−6.0	1348-1337
July	1366-1367	−5.0	1378-1368
Sept	1390-1392	−4.5	1400-1390
Dec	1416-1417	−3.5	1424-1415
March	1443-1445	−3.5	1452-1446
May	1465-1466	−3.0	1470-1466

Sales: 2,704 (3,011) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for February 20: 1569.87 (1560.87); 10-day average for February 23: 1554.06 (1551.06).

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	165.70	150.50	158.00-150.00
May	179.80	168.50	175.00-168.00
Nov	89.00	89.00	—
Feb	97.50	98.05	100.00-98.50
Apr	117.00	116.50	117.00

Sales: 1,359 (1,428) lots of 40 tonnes.

SUGAR

No. 6 Con-tract	Y'sterdy's close	Previous close	Business done
	$ per tonne		
Mar	[illegible]	160.2-165.2	163.4-158.4
May	170.2-170.4	174.4-174.8	174.8-169.8
Aug	175.0-175.4	177.0-177.0	—
Oct	175.8-176.8	179.0-179.4	179.8-176.8
Dec	178.0-181.0	182.0-185.4	177.0-176.2
Mar	182.8-183.0	185.2-185.8	—
May	185.0-188.8	188.8-190.4	186.0-182.8

LONDON DAILY PRICE—Raw sugar $182.50 (£119.00), down $1.50 (down £1.50) a tonne for March-April delivery. White sugar $207.00, up 50c.

Sales: 1,964 (4,990) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £225.0 (£226.0) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for February 20: Daily price 7.17 (7.14); 15-day average 7.37 (7.36).

PARIS—(FFr per tonne): May 1251/1265, Aug 1296/1310, Oct 1325/1335, Dec 1360/1370, Mar 1395/1410, May 1430/1445.

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
April	793.0	797.0/779.5	785.0
July	682.0	682.0/676.0	671.0
Oct.	798.0	798.0/790.0	787.5
Jan.	807.5	807.5/810.0	805.0
Apr.	827.5	—	827.5
July	700.0	—	699.0
Oct.	810.0	820.0/810.0	820.0
Jan.	860.0	—	859.5
BFI.	851.5	—	860.0

Turnover: 353 (224).

RUBBER

PHYSICALS — The London market opened slightly easier, drifted lower through the day and closed weak, reports Lewis and Peat. Closing prices (buyers): Spot 61.00p (62.75p); March 62.00p (64.25p); April 62.00p (64.00p): Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 226.0 (227.0) and SMR 20 197.0 (199.0).

FUTURES—Index 629, March 657-667, April/June 663-673, July/Sept 673-683. Sales: nil.

US MARKETS

IN a reaction to Friday's upside breaks, the metal markets closed lower on the day, report Drexel Burnham Lambert. Local and trade selling in gold futures was insufficient to break support in advance of stops around 403.50 basis April, it closed with pared losses. Platinum futures trading was dominated by locals, with weaknesses punctuated by short-covering rallies, whilst weakness in silver uncovered trade support. Copper futures followed both the gold and platinum, with Commission House and trade selling touching off stops at 626.5 basis March before trade support rallied prices off the lows. Trade and Commission House selling in crude oil futures, reflecting heavy liquidation and fresh shorts entering the market, kept prcies under pressure, although support was evident at the lows. Prospects of an early renewal of the ICO agreement prompted fresh short-covering in coffee futures to continue the recent rally. Speculative liquidation in cocoa futures coupled with light trade selling depressed values — volume was inflated by the posting of over 3,000 AA's (against actuals). Early Commission House liquidation and trade price-fix selling saw sugar futures fall before trade support emerged at the lows and to pare losses. Lack of additional buying interest in the grains, following Friday's Soviet buying, saw grains futures react on the downside in light volume.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
Feb	58.00	57.55	—	—
March	58.00	57.80	58.30	58.00
May	58.40	57.90	58.70	58.25
July	58.20	57.80	58.30	58.00
Sept	58.00	57.40	—	—
March	58.00	57.40	—	—
May	58.00	57.40	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	1833	1850	1861	1829
May	1867	1881	1896	1862
July	1882	1906	1920	1890
Sept	1917	1931	1940	1920
Dec	1946	1963	1974	1946
March	1985	1990	—	—
May	2010	2015	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	125.95	120.32	125.75	121.50
May	127.55	122.73	127.75	123.90
July	128.75	124.75	128.75	126.00
Sept	129.92	126.91	130.00	128.70
Dec	131.00	128.55	131.40	130.25
March	131.50	129.13	132.50	132.00
May	130.87	128.50	132.50	132.50
July	132.50	128.50	132.50	132.50

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
Feb	62.65	63.50	—	—
March	62.65	63.50	63.25	62.40
May	62.90	63.50	63.35	62.85
July	63.00	63.50	63.40	62.85
Sept	63.35	63.75	63.75	63.40
March	64.50	64.90	65.00	64.60
May	64.90	65.20	—	—
July	65.30	65.60	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
March	56.52	54.65	56.50	56.00
May	56.17	54.15	56.15	54.65
July	54.65	53.57	55.57	54.00
Oct	53.95	53.50	54.80	53.70
Dec	53.40	53.05	54.70	53.10
March	53.80	53.60	54.50	53.80
May	54.10	54.05	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
April	17.12	17.84	17.44	17.12
May	17.02	17.55	17.33	17.02
June	16.94	17.44	17.20	16.94
July	16.94	17.33	17.16	16.92
August	16.88	17.27	17.06	16.88
Sept	16.90	17.27	17.06	16.90
Oct	16.92	17.30	17.16	16.92
Dec	17.11	17.36	17.30	17.13

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
Feb	513.0	522.1	—	—
April	514.7	523.8	521.0	512.0
July	518.2	527.3	525.5	516.0
Oct	522.5	531.3	530.0	521.0
April	531.5	540.0	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
March	45.80	47.66	47.00	45.85
April	45.66	47.45	46.85	45.66
May	45.50	47.12	46.50	45.50
June	45.05	46.55	45.90	45.05
July	45.25	46.65	45.95	45.25
Aug	45.30	47.10	46.35	45.90
Sept	46.50	48.00	47.00	46.50

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
Feb	402.2	406.2	405.0	402.0
March	402.8	406.8	404.8	404.8
April	404.6	408.7	407.2	403.2
June	406.6	412.7	412.0	407.0
Aug	412.6	416.7	415.1	412.0
Oct	416.3	420.5	418.0	416.5
Dec	420.2	424.4	423.0	419.5
Feb	414.1	428.3	427.0	425.5
June	431.9	436.2	434.0	434.0
Oct	416.3	440.5	418.0	416.5
Dec	444.7	448.9	446.0	446.0

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
March	122.90	123.30	124.05	122.90
May	124.55	124.95	125.35	124.50
July	126.80	125.90	126.70	125.70
Sept	126.20	125.60	126.80	126.30

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
Feb	546.6	552.7	—	—
March	547.5	553.5	552.0	545.5
May	553.6	559.6	558.0	551.5
July	559.6	565.6	563.5	558.0
Sept	565.6	571.6	571.0	565.0
Dec	574.7	580.7	580.0	572.5
Jan	577.8	583.8	—	—
March	583.6	589.7	588.0	584.5
May	590.0	595.9	594.5	594.5
July	596.7	602.4	589.0	589.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
March	7.29	7.51	7.48	7.25
May	7.62	7.84	7.78	7.57
July	7.74	7.97	7.86	7.70
Sept	7.70	7.93	7.88	7.86
Oct	7.80	8.03	7.99	7.83
March	8.18	8.33	8.30	8.18

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
April	65.00	64.82	65.20	64.55
June	62.15	62.20	62.50	61.82
August	58.90	59.07	59.25	58.70
Oct	57.62	57.87	57.95	57.50
Dec	57.55	57.80	57.90	57.50

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
April	43.12	43.32	43.55	42.90
June	45.32	45.30	45.55	44.75
July	44.92	45.00	45.45	44.75
August	42.55	42.57	42.87	42.35
Oct	38.32	38.57	38.80	38.20
April	36.65	37.05	37.10	36.60

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
March	148.4	149.4	150.0	[illegible]
May	155.6	157.2	158.0	155.4
July	160.2	161.2	162.2	160.6
Sept	162.6	164.2	164.4	162.6
Dec	168.4	169.4	169.6	168.2
March	176.2	177.2	177.0	175.6
May	178.4	179.4	179.2	178.4

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
March	60.67	61.20	61.80	60.40
May	60.16	60.72	61.40	60.05
July	58.72	59.00	59.62	58.70
August	57.05	57.80	58.15	57.05
Feb	54.62	54.72	55.20	54.65
March	53.75	53.75	53.80	—

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
March	467.2	469.2	469.0	466.0
May	465.2	467.0	467.0	464.2
July	463.2	465.4	465.4	462.2
August	460.2	463.0	463.2	460.0
Sept	470.0	472.4	472.2	470.0
Nov	465.0	467.8	466.4	464.6
Jan	471.0	473.4	474.0	471.0
March	477.0	479.4	480.2	477.0
May	480.4	483.4	482.0	480.4

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
March	143.3	144.9	144.3	143.0
May	137.9	136.7	139.0	137.5
July	136.0	136.6	136.6	135.6
August	135.6	136.4	136.4	135.5
Sept	134.5	135.0	135.5	134.5
Oct	133.8	134.2	134.1	133.8
Dec	134.0	134.5	134.6	134.0
Jan	134.7	134.7	135.2	134.7
March	136.7	135.7	136.5	136.0

SOYABEAN OIL 60,000lb, cents/lb

	Close	Prev	High	Low
March	15.66	15.98	15.67	15.54
May	15.99	16.03	16.00	15.87
July	16.29	16.23	16.30	16.17
August	16.39	16.32	16.38	16.28
Sept	16.45	16.40	16.48	16.34
Oct	16.52	16.45	16.52	16.36
Dec	16.63	16.65	16.65	16.50
Jan	16.57	16.67	16.56	16.60

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
March	279.2	288.6	287.0	279.4
May	272.6	281.4	280.4	272.4
July	258.2	261.6	261.4	256.0
Sept	158.2	169.6	161.0	165.4
Dec	265.0	265.0	268.2	263.4

SPOT PRICES—Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 552.0 (544.0) cents per troy ounce.

GRAINS

Old crops steadied on lack of offers and the absence of any great retender pressure on March due to a lower than expected first day tender figure, closing fully steady and renewed shipper buying while barley also firmed on merchant short covering. New crops also firmed on spec buying, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or −	Yest'rdy's close	+ or −
Mar	117.40	+0.90	115.50	+1.55
May	118.85	+0.85	117.65	+1.00
July	121.00	+1.00	—	—
Sep	99.80	+0.20	98.75	+0.10
Nov	101.85	+0.10	100.90	+0.05
Jan	104.75	+0.05	103.65	—
Mar	107.60	+0.10	105.80	—

Business done — Wheat: March 117.50-6.65, May 119.10-8.40, July 121.00-0.60, Sept 99.70-9.60, Nov 101.85-1.75, Jan 104.75-4.70, March 107.05 only. Sales: 483 lots of 100 tonnes. Barley: March 115.55-4.55, May 117.65-7.05, Sept 98.75 only, Nov 100.95 only, Jan 103.65 only. Sales: 95 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Mar 101.50, April/May 99.50, June 98.50. US No 2 soft red winter Mar 105.25, July 92.50. French 11½-12 per cent Jan 142.50. English feed fob Mar 119.00/119.75, April 120.50 buyer, April/June 121.75/122.50, Sept 101, Oct/Dec 105.00 sellers. Maize: US No 3 yellow/French transhipment east coast Feb 143.50. Barley: English feed fob Feb 117.00 seller Peterhead, Mar 119.00 buyer Montrose/Aberdeen, 118.00 seller Peterhead, April/June 121.00 seller English/Scottish, 122.50 seller English, Aug 100.50, Sept 101.50, Oct/Dec 105.00 sellers English. Rest unquoted.

HGCA—Ex-farm spot prices: Feed Wheat: Eastern 117.00; E. Mids 116.00. Feed Barley: E. Mids 115.50; N. East 116.80. The UK monetary coefficient for the week beginning Monday, March 2 (based on HGCA calculations using 4 days' exchange rates) is expected to be unchanged.

TEA

At the London tea auction 38,808 packages were on offer including 6,600 packages in the offshore section, reports the Tea Brokers' Association. A good demand prevailed. Selected colouty Assams and many plainer sorts ruled firm but mediums were irregular and frequently 2-4p easier. Bangladesh teas remained a rather weak feature but were about steady where sold. East Africans came to a strong market with brightest lines initially 5-10p higher, closing fully firm, and mediums 2-4p dearer. Central Africans also sold readily and the majority gained ground. Ceylons were well supported and brighter teas put on 2-4p with the remainder little changed. Offshore teas met strong demand and generally moved 2-5p dearer. Quotations: quality 180p a kg nominal (172p); medium 138p a kg (135p); low medium 94p a kg (92p).

OIL

● On the spot market yesterday the Brent Blend oil price ended 35 cents higher at $16.925 a barrel, wiping out Friday's rise.

April Brent opened at 17.30 but came off quickly to 16.90. Dubai remained relatively firm but trades thinly. April WTI opened 29 down on Nymex and traded 35c down at 1.30 pm EST. In the petroleum products market prompt gasoil weakened on withdrawn buying interest and naphtha weakened on the back of crude. Gasoline and fuel oil were both quiet. Petroleum Argus London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Mar.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.80-17.00	+0.10
Brent Blend	16.90-16.95	−0.35
W.T.I. (1pm est)	17.30-17.40	−0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	170-175	—
Gas Oil	139-141	−1
Heavy fuel oil	86-87	—
Naphtha	154-156	−1

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close	+ or −	Business Done
	US $ per tonne		
Mar	140.75	−3.00	144.25-38.50
Apr	142.00	−2.25	145.50-40.50
May	141.00	−3.00	145.00-40.00
June	140.25	−1.75	144.00-40.50
July	140.50	−2.50	140.50

Turnover: 3,779 (2,699) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close	+ or −	Business Done
	US $ per tonne		
Mar	87.00	−1.00	87.00
Apr	85.00	−0.75	—
May	79.50	−4.00	—

Turnover: 1 (7) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week amounted to 485 tonnes against 570 tonnes in the previous week. Fair trading with interest shown in Chinese, Russian, Turkish, Colombian, Israeli and East and West African varieties.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar fails to react

THE DOLLAR showed very little reaction to the communique issued after the meeting of finance ministers from the Group of Five, plus Canada, in Paris at the weekend.

Dealers were sceptical about the likely success of any agreement, and could see no firm measures to defend the dollar. The general reaction was that unless it becomes clear that the US is prepared to prevent the dollar's slide a further decline in the value of the dollar is likely.

A major test for the US currency is likely to come on Friday, when the US trade figures for January are published. It has been forecast that the Janauary deficit will rise to around $15bn from the December figure of £10?bn today's durable goods orders for January are also expected to be poor, showing a fall of 0.5 per cent to 1.1 per cent, compared with the December rise of 0.9 per cent.

The dollar rose to DM 1.83 from DM 1.8275; to FFr 6.0925 from FFr 6.0875; to SFr 1.5460 from SFr 1.5445; and to Y153.65 from Y153.60.

On Bank of England figures the dollar's index rose to 104.1 from 104.0.

STERLING — Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. January average 1.5071. Exchange rate index rose 0.6 to 69.7, compared with 71.3 six months ago.

Sterling was firm, helped by encouraging economic news, and managing to ignore a decline in North Sea oil prices. The surveys by the Confederation of British Industry and the forecast by the London Business School, pointing towards increased productivity and steady economic growth followed last week's encouraging news on US public sector borrowing and money supply growth. The pound gained 1.40 to $1.5420-1.5430. Sterling also improved against other major currencies, rising to DM 2.8225 from DM 2.7950; to FFr 9.3975 from FFr 9.3050; to SFr 2.3650 from SFr 2.36; and to Y237 from Y234.75.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.8568. Exchange rate index 148.0 against 140.0 six months ago.

The D-Mark was slightly weaker against the dollar in Frankfurt yesterday, as dealers digested the results of the weekend meeting of finance ministers in Paris. The G-5 meeting appeared to have succeeded in stabilising the dollar at present, but there was uncertainty about how long this would last. The dollar closed at DM 1.8295 in Frankfurt, compared with DM 1.8250 on Friday. The general consensus was that the dollar would remain in a range of DM 1.80 to DM 1.85, but the undertone was bearish, and the US currency could fall on any adverse economic news, including Friday's US trade figures if these show a sharp rise in the deficit. Dealers added that they did not expect any intervention until the dollar fell to the chart resistance point of DM 1.7780. The Bundesbank did not intervene when the dollar fell to DM 1.8279 from DM 1.8313 at the Frankfurt fixing.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. January average 154.62. Exchange rate index 209.2 against 218.3 six months ago.

The yen was little changed against the dollar, in cautious Tokyo trading. The market closed before a press conference given by Mr Kiichi Miyazawa, Japanese Finance Minister, in which he said the weekend statement from Paris was vaguely worded, because it was agreed the measures should not be publicly revealed, but there was an accord on detailed measures to stabilise currencies. Dealers in Tokyo were sceptical about the success of any agreement, but adopted a wait and see attitude ahead of the opening of markets in Europe and the US. Selling pressure above Y154 and fear of central bank intervention around Y150 was expected to keep the dollar in a range, at least until publication of the US trade figures on Friday, amid forecasts of a much larger deficit than the $10.7bn in December. The dollar closed at Y153.55 in Tokyo, compared with Y153.75 on Friday.

£ IN NEW YORK

Feb 23	Latest	Previous Close
£ Spot	1.5400-1.5410	1.5350-1.5360
1 month	0.58-0.55 pm	0.55-0.53 pm
3 months	1.63-1.59 pm	1.54-1.51 pm
12 months	5.65-5.55 pm	5.25-5.18 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Feb. 23	Previous
8.30 am	69.4	69.1
9.00 am	69.4	69.1
10.00 am	69.4	69.2
11.00 am	69.5	69.2
Noon	69.5	69.2
1.00 pm	69.5	69.2
2.00 pm	69.6	69.1
3.00 pm	69.7	69.1
4.00 pm	69.7	69.1

CURRENCY RATES

Feb. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.735469
U.S. Dollar	5.5	N/A	1.12968
Canadian $	8.20	*	1.50360
Austrian Sch.	4	N/A	14.5283
Belgian Franc	8½	N/A	42.7838
Danish Krone	7	N/A	7.78858
Deutsche Mark	3.0	N/A	2.06528
Neth. Guilder	4½	N/A	2.33324
French Franc	9½	N/A	6.87693
Italian Lira	12	N/A	1468.30
Japanese Yen	2½	N/A	173.406
Norway Krone	8	N/A	7.88008
Spanish Peseta	—	N/A	145.277
Swedish Krona	7½	N/A	7.33445
Swiss Franc	3.5	N/A	1.74592
Greek Drach.	20½	N/A	151.682
Irish Punt	—	N/A	0.775080

*C$/SDR rate for Feb. 20: 1.67712

CURRENCY MOVEMENTS

February 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.7	−23.9
U.S. Dollar	104.1	−3.1
Canadian Dollar	78.5	−10.3
Austrian Schilling	139.1	+10.6
Belgian Franc	100.5	−3.9
Danish Krone	93.7	+4.4
Deutsche Mark	148.0	+22.3
Swiss Franc	170.6	+20.9
Guilder	135.2	+14.6
French Franc	72.2	−12.3
Lira	48.5	−16.2
Yen	209.2	+56.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Feb. 23	£	$
Argentina	2.1660-2.1750	1.4070-1.4120
Australia	2.2990-2.3020	1.4970-1.4980
Brazil	27.2700-27.4300	17.7170-17.8060
Finland	6.9900-7.0025	4.5350-4.5370
Greece	204.65-207.65	132.90-135.15
Hong Kong	11.9980-12.0190	7.7970-7.7990
Iran	111.95*	72.50*
Korea (Sth)	1308.10-1320.15	853.00-860.00
Kuwait	0.42700-0.42750	0.27720-0.27740
Luxembourg	58.40-58.50	37.85-37.95
Malaysia	3.9070-3.9160	2.5410-2.5430
N. Zealand	2.7865-2.7940	1.8150-1.8180
Saudi Ar.	5.7770-5.7805	3.7500-3.7510
Singapore	3.2950-3.3030	2.1415-2.1430
S. Af. (Cm)	3.1865-3.2085	2.0790-2.0835
S. Af. (Fn)	6.2175-6.4790	4.0405-4.2105
Taiwan	53.35-53.60	[illegible]
U.A.E.	5.6575-5.6610	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7838	+0.77	+0.77	±1.5344
Danish Krone	7.85212	7.78858	−0.81	−0.81	±1.6404
German D-Mark	2.05853	2.06528	+0.33	+0.33	±1.0981
French Franc	6.90403	6.87693	−0.39	−0.39	±1.3674
Dutch Guilder	2.31943	2.33324	+0.60	+0.60	±1.5012
Irish Punt	0.768411	0.775080	+0.87	+0.87	±1.6684
Italian Lira	1482.58	1468.30	−1.03	−1.03	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Feb. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5320-1.5440	1.5420-1.5430	0.57-0.54 c pm	4.32	1.54-1.49 pm	3.93
Canada	2.0413-2.0554	2.0540-2.0550	0.63-0.53 c pm	3.39	1.55-1.43 pm	2.90
Neth'lands	3.16-3.19¼	3.18¾-3.19¾	1½-1⅛ c pm	4.94	4-3⅞ pm	4.78
Belgium	57.89-58.60	58.40-58.50	16-12 c pm	2.87	39-32 pm	2.43
Denmark	10.54¼-10.66	10.65-10.66	¼ pm-1 ore dis	−0.14	par-2 dis	−0.38
Ireland	1.0521-1.0595	1.0575-1.0585	0.30-0.50 p dis	−4.54	0.80-1.10 dis	−3.59
W. Germany	2.79¾-2.82⅛	2.81¾-2.82⅛	1⅝-1⅜ pf pm	6.38	4½-4 pm	5.93
Portugal	215.67-218.00	217.00-218.00	70-155 c dis	−6.21	320-440 dis	−6.99
Spain	197.09-198.85	198.25-198.75	24-48 c dis	−2.18	77-117 dis	−1.96
Italy	1987¼-2009¾	2008-2009	2-par lire pm	0.60	1 pm-2 dis	0.10
Norway	10.69½-10.78	10.77-10.78	2¼-3¼ ore dis	−3.34	10¼-12½ dis	−4.32
France	9.32¾-9.40¼	9.39¼-9.40¼	1⅞-1¼ c pm	2.00	4½-3¼ pm	1.65
Sweden	9.94¼-10.02	10.01-10.02	¼ pm-¾ ore dis	−1.07	⅞-2¼ dis	−0.67
Japan	235½-237½	236½-237½	1⅛-1 y pm	6.01	3¼-3⅛ pm	6.01
Austria	19.66-19.85	19.82-19.85	9½-8¼ gro pm	5.41	28¾-26¼ pm	5.58
Switzerland	2.36½-2.39	2.38-2.39	1½-1⅛ c pm	6.60	4-3½ pm	6.29

Belgian rate is for convertible francs. Financial franc 59.00-59.10. Six-month forward dollar 2.74-2.69 c pm 12-month 5.12-5.02 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Feb. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5320-1.5440	1.5420-1.5430	0.57-0.54c pm	4.32	1.54-1.49 pm	3.93
Ireland†	1.4522-1.4610	1.4570-1.4580	0.93-0.86c pm	7.39	2.72-2.58 pm	7.29
Canada	1.3290-1.3330	1.3320-1.3330	0.09-0.12c dis	−0.95	0.33-0.36 dis	−1.04
Netherlands	2.0565-2.0710	2.0665-2.0675	0.16-0.13c pm	0.84	0.54-0.49 pm	1.00
Belgium	37.70-37.95	37.85-37.95	4-5c dis	−1.43	12-15 dis	−1.43
Denmark	6.87-6.93	6.90½-6.91	2.10-3.00ore dis	−4.44	6.90-7.80 dis	−4.27
W. Germany	1.8200-1.8335	1.8295-1.8305	0.32-0.29pf pm	2.00	1.04-0.99 pm	2.22
Portugal	141¼-141½	141¼-141½	100-150c dis	−10.65	350-420 dis	−10.94
Spain	128.15-128.98	128.85-128.95	60-70c dis	−6.08	185-205 dis	−6.08
Italy	1294-1303½	1301¾-1302¼	3¼-4¼lire dis	−3.69	10-20 dis	−4.62
Norway	6.96-7.00	6.98¼-6.98¾	4.10-4.80ore dis	−7.64	14.10-14.80dis	−8.27
France	6.06-6.10¼	6.09-6.09½	1.00-1.20c dis	−2.17	3.20-3.50 dis	−2.20
Sweden	6.47½-6.49¾	6.49-6.49½	2.40-2.90 ore dis	−4.90	7.20-7.80 dis	−4.62
Japan	153.25-153.75	153.60-153.70	0.26-0.23y pm	1.91	0.88-0.83 pm	2.23
Austria	12.80½-12.89¼	12.87¼-12.87¾	1.60-1.20gro pm	1.31	4.75-3.75 pm	1.32
Switzerland	1.5395-1.5485	1.5455-1.5465	0.33-0.27c pm	2.33	0.98-0.93 pm	2.47

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.25-38.35.

EURO-CURRENCY INTEREST RATES

Feb. 23	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb. 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.354	0.547	1.	83.97	3.329	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.219	6.508	11.91	1000.	39.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.064	1.641	3.003	252.2	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.419	0.647	1.183	99.37	3.940	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.314	0.484	0.885	74.35	2.948	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.498	0.768	1.405	118.0	4.679	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.487	0.751	1.374	115.4	4.574	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.711	2.639	4.829	405.5	16.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates firmer

INTEREST RATES were slightly firmer on the London money market yesterday, as the Bank of England continued to defend the present interest rate structure, by purchasing bills from the London money market on a repurchase basis.

Three-month sterling interbank finished at 10 11/16-10 9/16 per cent, compared with 10⅝-10½ per cent before the weekend.

The discount houses remained reluctant to sell paper outright at present intervention rates, because of speculation about lower interest rates.

UK clearing bank base lending rate 11 per cent since October 15

The bullish tone was reinforced by economic forecasts from the Confederation of British Industry, and the London Business School, pointing towards improved UK productivity, and steady growth prospects.

Initially the Bank of England forecast a money market shortage of £1,400m, but this was revised to £1,150m at noon, and to £1,200m in the afternoon. Total help provided by the authorities was £1,267m.

The central bank offered early help to the market, and at that time bought £165m bills for resale to the market on March 30, at 10⅞-10 13/16 per cent.

Further help was provided before lunch, amounting to £445m. At that time the Bank of England purchased £206m bills outright, by way of £2m bank bills in band 1 at 10⅞ per cent; £189m bank bills in band 2 at 10 13/16 per cent; and £15m bank bills in band 3 at 10¾ per cent. Another £239m bills were bought for resale to the market on March 30, at 10⅞-10 13/16 per cent.

In the afternoon the authorities provided another £472m of assistance, buying £28m bank bills in band 1 at 10⅞ per cent; £80m local authority bills in band 2 at 10 13/16 per cent; £250m bank bills in band 2 at 10 13/16 per cent; and £114m bank bills in band 3 at 10¾ per cent.

Late assistance of around £185m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £855m, with the unwinding of a gilt-edged repurchase agreement absorbing £1,088m. These outweighed Exchequer transactions adding £155m to liquidity; a rise in the note circulation of £325m; and bank balances above target by £70m.

In Frankfurt call money eased to 3.80 per cent from 3.85 per cent in quiet trading, after the announcement of a February minimum reserve requirement for banks of DM 50.5bn. This was about DM 2bn less than expected, and means there should now be ample liquidity in the banking system. The Bundesbank is not expected to add any funds to the market this week through a securities repurchase agreement.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 23) 3 months U.S. dollars | 6 months U.S. dollars

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Latest)

Prime rate; Broker loan rate; Fed. funds; Fed. funds at intervention — Treasury Bills and Bonds

Frankfurt; Paris; Zurich; Amsterdam; Tokyo; Milan; Brussels; Dublin

LONDON MONEY RATES

Interbank; Sterling CDs; Local Authority Deposits; Local Authority Bonds; Discount Market Deposits; Company Deposits; Finance House Deposits; Treasury Bills (Buy); Bank Bills (Buy); Fine Trade Bills (Buy); Dollar CDs; SDR Linked Deposits; ECU Linked Deposits

FINANCIAL FUTURES

Confused trading

LONG TERM gilt futures were slightly firmer on the London International Financial Futures Exchange yesterday. The March contract opened at 118-10, little changed from Friday's close, and closed at 118-18, compared with 118-11 previously.

Trading was relatively quiet, with last week's encouraging figures on public sector borrowing and money supply continuing to provide support. Gilts were also boosted by sterling's gains against the dollar and the D-Mark. The low of 114-04 was touched in early trading, and the peak of 118-28 in the afternoon.

Sterling's improvement was seen as significant, to provide the right background for a cut in UK bank base rates, but yesterday's intervention by the Bank of England in the money market indicated continued reluctance by the authorities to endorse lower interest rates ahead of next month's Budget.

The fairly sharp fluctuation in the long gilt contract on Liffe in the afternoon partly reflected confused trading in US Treasury bond futures, which seemed uncertain how to react to the weekend meeting of finance ministers from the Group of Five, plus Canada, in Paris.

Volume in long gilt futures was reasonably active, at over 20,000 lot, but trading in US Treasury bonds on Liffe was quiet, at less than 3,000.

In Chicago it was said that analysts were struggling to interpret the weekend accord by the major industrial nations. There was also uncertainty following Brazil's announcement that it would suspend payment on its foreign debt.

On Liffe March delivery US bonds opened at 100-04, and closed at 99-28, after trading within a range of 99-24 to 100-05. Friday's close was 100-12, but it was suggested that Treasury bills had an underlying strength, compared with other paper, because of a flight to quality, caused by nervousness about a possible default by Brazil.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
110	9.00	—	0.10	—
112	7.13	—	0.23	—
114	5.33	6.10	0.43	1.30
116	4.02	4.53	1.12	2.09
118	2.51	3.45	1.61	3.01
120	1.56	2.60	3.02	4.16
122	1.10	2.00	4.20	5.20
124	0.45	1.30	5.56	6.50

Estimated volume total, Calls 2,119 Puts 901
Previous day's open int: Calls N/A Puts N/A

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
90	8.61	—	0.03	—
92	7.02	7.41	0.08	1.45
94	5.16	6.30	0.22	2.24
96	3.43	5.08	0.49	3.12
98	2.24	4.06	1.30	4.10
100	1.21	3.13	2.27	5.17
102	0.49	2.31	3.55	6.35
104	0.24	1.57	5.30	7.61

Estimated volume total, Calls 20 Puts 45
Previous day's open int: Calls N/A Puts N/A

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Mar	Calls—Last April	Puts—Last Mar	Puts—Last April
17750	18.13	21.79	0.13	0.29
18000	15.75	19.47	0.25	0.47
18250	13.46	17.22	0.46	0.72
18500	11.15	15.06	0.65	1.06
18750	9.24	13.02	1.24	1.52
19000	7.37	11.22	1.87	2.22
19250	5.48	9.36	2.48	2.86
19500	4.15	7.77	3.65	3.77

Estimated volume total, Calls 11, Puts 21
Previous day's open int, Calls N/A Puts N/A

LIFFE US OPTIONS £25,000 (cents per £1)

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE-MONTH EURODOLLAR $1m points of 100%

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING Se per £

LIFFE—STERLING £25,000 $ per £

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar.	94.52	94.54	94.47	94.46
June	94.59	94.59	94.54	94.56
Sept.	94.60	94.62	94.57	94.59
Dec.	94.53	94.54	94.50	94.51

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec.	93.52	93.54	93.51	93.56
Mar.	93.37	93.37	93.34	93.40
June	93.16	93.18	93.14	93.20
Sept.	92.94	92.95	92.92	92.97
Dec.	92.72	92.72	92.70	92.75

SWISS FRANC (IMM) SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6475	0.6490	0.6467	0.6493
June	0.6514	0.6532	0.6508	0.6534
Sept.	0.6560	—	0.6560	0.6675

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Mar.	282.05	287.00	282.05	285.65
June	283.90	288.45	283.90	287.30
Sept.	285.40	289.50	285.40	288.55
Dec.	286.60	290.70	286.60	289.80

EUROPEAN OPTIONS EXCHANGE

Series								
HOOGOVENS P	Fl.40	462	3.70	275	4.40	57	58	
KLM C	Fl.45	130	0.70	340	1.70	97	2.10	Fl.41.30
KLM P	Fl.40	207	1.20	12	2.50	46	3.50	
NAT. NED C	Fl.75	105	1.80	64	3.50	27	5A	Fl.72.70
NAT. NED. P	Fl.75	46	3.20B	2	5.20	—	—	
PHILIPS C	Fl.50	1962	1.10	373	2.30	170	3.30B	Fl.46.90
PHILIPS P	Fl.55	629	8.70B	39	8.80B	—	—	
ROYAL DUTCH C	Fl.210	479	6.50	134	8	309	9.20	Fl.213.20
ROYAL DUTCH P	Fl.210	575	3	128	6.50	53	10.50	
ROBECO C	Fl.100	—	—	17	2.30	—	—	Fl.98.60
ROBECO P	Fl.100	5	3	505	4.40	—	—	
UNILEVER C	Fl.520	79	8	60	17.60	4	26	Fl.505
UNILEVER P	Fl.500	114	8	19	198	—	—	

TOTAL VOLUME IN CONTRACTS: 36,834
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mnt Credit Corp. Ltd.	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk.	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk.	11	Provincial Trust Ltd	12
Associates Cap Corp.	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp.	11½	Trustee Savings Bnk	11
Bank of Cyprus	11	First Nat. Sec. Ltd.	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambro Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd.	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 23, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cb) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.13
Algeria	Dinar	7.12
Andorra	French Franc	9.3975
	Spanish Peseta	198.50
Angola	Kwanza	46.387
Antigua	E. Caribbean $	4.15
Argentina	Austral	2.1705
Aruba	Florin	2.7765
Australia	Australian $	2.3005
Austria	Schilling	19.835
Azores	Portuguese Escudo	217.50
Ghana	Cedi	230.475
Gibraltar	Gibraltar £	1.0
Greece	Drachma	206.15
Greenland	Danish Krone	10.6550
Grenada	E. Caribbean $	4.15
Guadaloupe	Local Franc	9.3975
Guam	U.S. $	1.5425
Guatemala	Quetzal	1.5425; (F) 4.1500
Guinea	Franc	322.648
Guinea-Bissau	Peso	262.06
Guyana	Guyanese $	13.88 (18)
Panama	Balboa	1.5425
Papua New Guinea	Kina	1.4488
Paraguay	Guarani	369.60; 1035.65
Peru	Inti	exc(o)21.95; (F) 30.88; (Fn) 27.45
Philippines	Philippine Peso	31.08
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.7903
Poland	Zloty	366.80 (26)
Portugal	Escudo	217.50

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
339	210	Morgan Crucible	328	–2	18.9	1.5	3.6	21.8
23½	15½	♦Morris (W.) F.A. 20p	20	–½	—	—	—	—
194	65	Myson Grp 10p	194	+4	†2.63	2.6	1.9	25.0
365	213	♦NMW Computers	297	+7	†6.0	3.0	2.0	17.1
210	27	Nash Inds	210	+27	1.5	2.6	1.0	53.2
*27½	12½	Neil & Spencer 10p	37	+½	—	—	—	—
47	28	Newman Inds 10p	46½	–½	†0.8	1.5	2.4	(39.6)
134	65	Nicole & Lund 10p	93	–1	0.7	4.3	1.1	30.6
158	151	Nobo Group 10p	155		R4.75	2.8	4.3	11.8
65	39	Norton	48	–1	1.2	2.9	3.5	13.8
166	96	♦Norank Systems 5p	165	+1	m1.5	—	1.3	21.2
350½	187	Norcros	345	+55	†9.3	2.3	3.8	15.8
264	49	Nu-Swift 5p	264		†3.5	2.1	1.9	35.5
£256½	£228	OCE 9pc Cnv 1987-92	£262½		Q9%	—	†3.5	—
136	60	Oakwood Grp	136		4.0	0.6	4.1	52.3
250	173	Office & Elect	203	–2	8.5	2.9	5.9	8.3
39	26	♦Omnitech 1p	37		—	—	—	—
36	18	♦Optometrics $0.01	23		—	—	—	—
890	500	Ordiane £1	845	+5	†28.5	2.1	4.8	16.4
10	5	Overstone 12½c	8½		♦03.23c	1.9	11.8	4.5
143	85	♦PCT Grp 10p	140		d3.2	—	4.7	—
£22⅞	£13¾	PLM 'B' SF 25	£22⅛		Q24%	♦	2.8	♦
255	160	♦Pacer Systems $0.01	167	+5	U$3.4c	4.3	1.6	14.7
229	97	Pacific Dunlop $0.5	218	–5	Q11.36d	2.1	2.2	21.9
78	44	♦Pacific Sales 10p	65		3.0	1.4	6.7	15.0
525	246	Parker Knoll 'A'	485	+2	12.0	3.2	3.5	12.7
260	83	♦Parkfield Group 5p	254	–6	†3.6	4.2	2.0	16.2
53	17	♦Parkin Intl	29	+1	—	—	—	7.7
£130	£64½	Do 11pc Cnv '94-02	£90½		Q11%	—	†12.9	—
617	393	Pearson	556	–3	†10.0	2.8	2.6	17.9
66	12	Peek Holdings 3p	63½	+2½	—	—	—	—

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Feb 9	Feb 19	Feb 20	Mar 2
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30

* New time dealings may take place from 9.00 am two business days earlier.

Cautious equity market rattled late by sharp setback on Wall Street

UK security markets trod carefully yesterday waiting for signs that the Paris accord would succeed in stabilising international exchange rates. With the dollar struggling to gain ground on other leading currencies, the first reaction of many financial analysts was one of scepticism. Most doubted the willingness of the US to co-operate in a dollar-support operation and the value of West Germany's commitment to extra taxation cuts.

The initial effect on UK equities of the weekend agreement was countered by extremely good domestic news. Highly encouraging surveys on the economy, and particularly manufacturing output, from the CBI and the London Business School, held the market. Both FT indices showed small falls but these were the result of many index constituents being quoted ex their dividend payments.

However, the caution of institutional investors began to show through. Interest rate optimism faded as the authorities signalled more sternly reluctance to see bank base rates fall this side of the March 17 Budget. The Bank of England bought eligible bills at 10⅞ per cent in money markets and agreed their repurchase at 10$\frac{13}{16}$ per cent on March 30.

A portfolio "sell" programme brought a more rapid deterioration around mid-morning and no sooner had blue chips attempted a rally when Wall Street rattled the market. A sharp early drop there coincided with a thinly attended market, freak weather conditions disrupting travel throughout New York State and preventing many traders reaching their offices.

With a strong sterling rate inhibiting US demand for international issues, London was not in the mood to resist. The FT-SE 100 share index slithered back and finally surrendered much of Friday's largest-ever points gain. It closed 21.8 down at 1939.7.

Gilt-edged market investors also took time off and prices fluctuated narrowly. Sterling's firmness failed to generate business but the tone improved later on bond market influences. Conventional Gilts were then able to regain earlier small losses. Low-coupon stocks responded to demand from high tax payers and some recorded rises stretching to ½.

The busiest sector was undoubtedly index-linked. Revived buying saw the tap; Treasury 2 per cent 1992, activated at 93.24 and 93.28 and then withdrawn, with the authorities awaiting higher bids, presumably of 94.00. Hedge buying to insure equity market gains featured and the longest-dated maturity finally rose ⅞ to 84$\frac{5}{16}$.

Clearers fall

The possibility of Brazil's rescheduling of debt idea being taken up by other South American debtors and nervousness ahead of today's preliminary figures from NatWest made for a dull day in the clearing banks. NatWest, which is widely expected to report pre-tax profits of more than £1bn today, retreated 7 to 617p, after 613p. Barclays, the next to report on Thursday, ended 12 down at 552p, while Lloyds relinquished 16 to 487p; the latter's preliminary figures are due on Friday. Midland, which yesterday launched a new investment banking division called Midland Montagu, dropped 18 to 619p. Elsewhere, Morgan Grenfell lost 10 at 393p as the group's former head of securities operations, Mr Geoffrey Collier, was indicted and sent for trial at the Old Bailey on alleged insider dealing charges.

Sun Life moved against the dull trend in Insurances, rising 21 to 978p on Press speculation about a possible bid from the TSB, eased a fraction to 78p. Elsewhere, Royals, which report preliminary results on Thursday, gave up 11 at 989p. Commercial Union, recently bought on revived takeover hopes, closed 7 off at 345p, while Sun Alliance dipped 24 to 755p. General Accident cheapened 9 to 970p and GRE eased 11 to 928p.

Roof and flooring installation company Hewetson staged a bright market debut: the shares, placed at 70p, opened at 80p and touched 87p prior to closing at 84p. Among other recently-issued equities, Sanders and Sydney gained 7 to 141p following Press comment.

Leading Buildings drifted lower on light profit-taking. Tarmac came back 10 to 536p, while BPB Industries slipped 6 to 642p. Blue Circle were a shade cheaper at 688p and Redland softened 6 to 477p. Among Timber issues, recent takeover favourite Meyer International dipped 9 to 356p. Publicity given to a broker's circular failed to sustain Magnet and Southerns, finally 4 lower at 312p. Against the trend, Alfred McAlpine rose 16 to 504p reflecting further buying in front of today's annual results, while Persimmon, preliminary statement due early next month, gained 26 to 332p. Federated Housing, also reporting soon, firmed 15 to 171p, but John Mowlem encountered profit-taking and shed 7 to 427p. Newsletter comment boosted Cender, finally 15 higher at 173p, and Howard Shuttering, a penny to the good at 77p. Randsworth Trust rose 8 to 191p on property development prospects, while Polypipe, which revealed good results recently, put on 18 to 223p in a restricted market.

Renewed demand ahead of Thursday's preliminary results lifted ICI a further $\frac{1}{16}$ to £14, after £14½. Elsewhere in the Chemical sector, Yorkshire, annual figures due tomorrow, firmed 7 to 223p.

Reports that the DTI had not ruled out the possibility of an investigation of Burton's takeover bid for Debenhams depressed the former and cast a shadow over other leading retailers. Burton dropped 11 to 270p, while Marks and Spencer declined 5 to 208p and Harris Queensway dipped 6 to 198p. Dixons, a firm market last week on news of its US acquisition, reacted 4 at 372p. Elsewhere, Mrs Fields jumped 15 to 179p following publicity given to a County Securities' circular and N. Brown Investments rose 35 to 505p in response to Press comment. Miller and Santhouse firmed 12 to 239p on buying ahead of the interim results scheduled for March 12.

FII were outstanding among Shoe concerns, jumping 65 to 460p in response to the excellent interim results. Newbold and Burton, meanwhile, rose 9 to 100p on news of the revised and recommended offer from Peter Black.

Racal bought

Well over 30m Racal changed hands yesterday as investors strongly supported the shares ahead of a company presentation in New York and Edinburgh over the next two to three weeks and the close was 21½ higher at 249½p. Plessey were not far behind, rising 17½ more to 241½p as the shares continued to be re-rated in the wake of the third-quarter figures. Elsewhere in Electricals, Ferranti rallied 7 to 127p and System Designers gained 3 to 77p following Press comment.

Vickers resisted the trend to close a shade firmer at 506p, on satisfactory preliminary figures and a proposed one-for-four scrip issue. Among other Engineering leaders, Hawker were unsettled at 531p, down 16, after the setback on Wall Street. Elsewhere, Birmid Qualcast featured a further gain of 46 to 256p, on the bid approach from Hepworth Ceramic; the latter closed 17 lower at 214p. Manganese Bronze, still reflecting bid hopes, advanced strongly to close 18½ higher at 158p, while Camford gained 7½ to 131p xd on suggestions of a possible bid from Turner and Newall. Expansion hopes prompted revived demand for Braithwaite, 13 to the good at 288p.

Hopes that the company will receive the go-ahead to bid for British Sugar, the S. & W. Berisford subsidiary, prompted renewed institutional demand for Tate and Lyle which closed 29 higher at 740p; a decision is expected shortly. On the other hand, Argyll Group, a firm market last Friday following details of the sale of its US drinks division, came back 9 to 385p. United Biscuits came under selling pressure and closed 5 lower at 279p, but Northern Foods were a shade dearer at 289p. Ranks Hovis McDougall, currently bidding for Avana, closed 4 off at 320p; the latter, up to 755p early on, slipped back to close 2 cheaper on balance at 741p awaiting further developments. Global Group firmed 5 to 91p in reply to the good interim results, while Hillards, an old takeover favourite, gained 11 to 193p.

Falls among the Hotel majors were confined to a few pence. Elsewhere, London Park Hotels rose 16 to 663p pending news of the bid approach, while Kennedy Brookes gained 7 to 296p following Press comment.

Wellcome up again

Among Aids-related stocks, Wellcome advanced afresh to 440p, up 17, but London International, inclined harder initially, drifted back to close a shade down on the day at 364p xd. Leading miscellaneous industrials held up reasonably well for most of the day, but the setback on Wall Street prompted late dullness, with Beecham settling 7 cheaper at 533p. Similar falls were recorded in BOC, 460p, and Boots, 286p. Glaxo closed $\frac{5}{16}$ down at £14$\frac{11}{16}$. Elsewhere, Norcros featured a rise of 55 at 345p following the disclosure that Bunhill Investments, a subsidiary of Bunzl, had a stake of 2.6 per cent in the company. Bunzl fell 11 to 224p. Whitecroft came to life with an advance of 12 at 311p, while Highgate and Job moved up 25 more to 260p and Avon Rubber put on 15 further to 563p. Weekend Press mention stimulated demand for Consultants Computer, which rose 20 to 222p. Others to respond to newspaper comment included American Business Systems, 4 up at 105p, Lep Group, a similar amount dearer at 156p, and Hestair, 3 better at 186p. Macarthy, responded afresh to recent acquisition news with a gain of 22 to 419p, while expansion hopes left Hunter 105 higher at 650p in a limited market. Smith and Nephew closed 5½ higher at 167½p following the announcement that it had agreed to sell Smith and Nephew, Anchor Inc., of the US. Dealings resumed in Dwek Group, at 143p, compared with the suspension price of 130p.

Radio independents made a bright showing ahead of the market debut of Capital Radio; Radio Clyde gained 12 to 80p, while Radio City firmed 4 to 64p and Piccadilly Radio put on 5½ to 63p xd. Elsewhere in the Leisure sector, Brent Walker attracted further support on expansion hopes and rose 12 to 379p, while Stanley Leisure gained 7 to 286p following the acquisition of the Viewstream betting shop operation for £1.615m. Chrysalis moved up 11 to 222p, but Pleasurama came back 15 to 364p following profit-taking.

Press comment prompted a couple of bright features in the Motor sector—with Spice and Glanfield Lawrence rising 7 and 8 to 145p and 120p respectively. Lookers firmed 5 more to 301p on takeover hopes; T. Cowie recently acquired a 14.96 per cent stake.

News International's interim results were deemed disappointing and the shares dropped ⅜ to £24⅞. Elsewhere in Newspapers, BPP Holdings moved up 12 to 230p and Trinity International jumped 25 to 613p on expansion hopes.

The Property leaders went with the general trend and closed easier across the board. Land Securities finished 5 off at 358p, while MEPC lost 4 at 360p and Hammerson A slipped 5 at 490p. Elsewhere, recent favourite Laing Properties encountered profit-taking and came back 11 to 360p, while Rosehaugh shed 15 to 720p. Rush and Tompkins firmed 5 to 261p on news that Overseas Strategic Investments had increased its stake to 8.9 per cent, while Trencherwood stood out with a rise of 20 at 528p, after 533p, in reply to favourable Press comment. Parkdale attracted support at 91p; up 4, while demand in a restricted market lifted Brookmount 33 to 463p.

Among Trusts, Edinburgh Financial Trust fell 5½ to 51½p after the figures and proposed reorganisation scheme. Financials were featured by a gain of 10 in Nevi Baltic to 155p in response to Press mention, while Yelverton gained 5 to 46p for a similar reason.

British Gas firmer

Oils were unsettled by a decline in crude oil prices and the weak performance of Wall Street. BP, quoted ex dividend closed a net 9 lower at 723p, while Shell, scheduled to report fourth quarter results a week on Thursday, dipped ⅛ to £10⅛. Britoil fell 4 to 172½p, Ultramar 4 to 168p, and Enterprise a couple of pence to 103p.

British Gas well heavily bought from the outset; overseas support, especially from the US and Japan, took the share price up to a record 76½p at one point before profit-taking left the close a net 3½p up at 75½p after a turnover of more than 53m shares. A substantial traded option business in British Gas also gave a major boost to the shares.

Burmah Oil remained a strong market, still boosted by a recent "buy" recommendation from Wood Mackenzie; the shares settled 9 higher at 462p, after 465p. Among the second-liners Century put on 7 to 150p amid takeover speculation while Bryson Oil & Gas jumped 15 to 106p.

The latest firm showing by the bullion price, following the weekend meetings of the Group of Five nations, led to a renewed advance by South African sectors of mining markets. Bullion moved up a further $4 to close at $403.75 an ounce—a rise of $13.50 over the past three trading sessions. Other precious metals followed suit.

South African Golds opened on a firm note, boosted by South African buying interest, but paused for breath in mid-session when European profit-taking became apparent. However, the afternoon brought about a fresh flurry of demand from the US, which mirrored a steep fall on Wall Street, and share prices moved higher again to close at or around the day's best levels.

The Gold Mines index jumped 12.8 more to 313.7, for a two-day gain of 25.5.

The rise in Platinum prices stimulated good support for Impala and Rustenburg which added 8 apiece to 781p and 813p respectively. Johnnies, which has substantial platinums interests via its stake in Rustenburg, moved up £1⅝ to £76⅞. Anglo American Corporation settled ⅛ better at £10⅞.

The UK-registered Consolidated Gold Fields, a strong market at the end of last week amid a revival of bid rumours, fell back 17 to 752p reflecting persistent small selling and profit-taking ahead of the interim figures scheduled for March 4. Rio-Tinto-Zinc slipped 4 to 757p.

Miscellaneous mines provided an outstanding performer in Greenwich Resources, which raced up 14 to a record 182p amid growing optimism over the company's Gebeit gold mining project in the Sudan.

Traded options

A lacklustre session in the traded option market was featured by fairly hectic dealings in British Gas. Here, 12,551 calls were done with 4,996 transacted in the April 70s' and 3,236 in the April 80s'; 1,218 puts were arranged in the April 70s'. Overall, 45,645 deals were done, comprising 34,450 calls and 11,195 puts.

Traditional Options

- First dealings Feb 16
- Last dealings Feb 27
- Last declaration May 28
- For Settlement June 8

For rate indications see end of Unit Trust Service

Money was given for the call of Smith and Nephew, Wellcome, Brent Walker, British Gas, Mellerware, Rotaprint, Combined English Stores, Peek Holdings, Steetley, Norfolk Capital, Abaco, Dares Estates, Sanders and Sidney, Pollymark, Ryan International, Trusthouse Forte, B. Elliott, Birmid Qualcast, BBA, Atlantic Resources, Scottish and Newcastle, Cifer, Downibrae, CASE, Bula, J. Williams, Burton, Amstrad, Chloride, Edmond Holdings, Heywood Williams, Sound Diffusion, Quest Automation, Marley, Glanfield Lawrence, Johnson Matthey, Polly Peck, Standard Chartered, Electronic Rentals and Burndene. Puts were arranged in Glaxo, Wellcome and Silentnight, while a double option was transacted in Wellcome.

FINANCIAL TIMES STOCK INDICES

	Feb. 23	Feb. 20	Feb. 19	Feb. 18	Feb. 17	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	87.60	87.22	87.07	86.74	86.12	84.82	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.10	93.40	93.58	93.46	93.06	89.35	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,556.9	1,567.0	1,542.5	1,555.0	1,552.3	1,275.2	1,567.0 (20/2/87)	1,094.3 (14/1/86)	1,567.0 (20/2/87)	49.4 (26/6/40)
Gold Mines	313.7	300.9	288.2	293.0	305.7	332.1	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.65	3.61	3.67	3.65	3.65	4.09				
Earnings Yld.%(full)	8.57	8.50	8.63	8.59	8.62	9.82				
P/E Ratio (net) (*)	14.30	14.42	14.20	14.26	14.21	12.70				
SEAQ Bargains (5 pm)	53,082	50,884	52,817	63,092	55,635	—				
Equity Turnover (£m)	—	1,567.11	1,838.53	1,741.76	1,520.06	1,054.78				
Equity Bargains	—	71,976	76,243	75,230	76,701	40,291				
Shares Traded (ml)	—	664.3	668.4	687.7	682.4	435.9				

S.E. ACTIVITY

Indices	Feb. 20	Feb. 19
Gilt Edged Bargains	152.3	177.5
Equity Bargains	466.4	494.0
Equity Value	3167.5	3716.1
5-Day Average		
Gilt Edged Bargains	155.6	140.1
Equity Bargains	470.0	449.0
Equity Value	3213.5	3127.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1566.2	1569.3	1564.9	1559.7	1564.0	1566.8	1567.4	1558.5

Day's High 1567.8. Day's Low 1551.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.76.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (186)

BRITISH FUNDS (9), AMERICANS (2), CANADIANS (1), BANKS (1), BREWERS (2), BUILDINGS (19), CHEMICALS (6), STORES (10), ELECTRICALS (16), ENGINEERING (10), FOODS (3), HOTELS (1), INDUSTRIALS (40), INSURANCE (1), LEISURE (7), MOTORS (4), PAPER (6), PROPERTY (6), SHOES (2), SOUTH AFRICANS (1), TEXTILES (4), TRUSTS (23), OILS (1), OVERSEAS TRADERS (1), PLANTATIONS (1), MINES (3), THIRD MARKET (1).

NEW LOWS (2)

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,200	159	−2	Ladbroke	322	434	−4
Allied Lyons	2,000	374	−7	Land Securities	889	358	−5
Amstrad	2,200	162xd	−1½	Legal & Gen.	587	291	−9
Assoc. Brit. Foods	741	337	−2	Lloyds Bank	2,000	487	−16
BAT	2,700	543	−4	Lonrho	2,100	263xd	−3
BET	625	518xd	−2	MEPC	225	360	−4
BOC	477	460	−6	Marks & Spncr	3,600	208	−5
BPB Inds	193	643	−5	Midland Bank	1,900	619	−18
BPCC	1,900	316	+1	NatWest Bank	2,700	617	−7
BTR	1,700	311	−2	Pearson	214	550	−3
Barclays	1,500	552	−12	P & O	629	616	−10
Bass	336	846	−7	Pilkington Bros	1,150	741	−2
Beecham	827	533	−7	Plessey	18,950	241½	+17½
Blue Circle	406	688	−2	Prudential	324	924	−3
Boots	1,900	286	−7	Racal	34,875	249½	+21½
Brit. Airways	16,000	106½	−2½	Rank Org	133	647xd	+½
Brit. Aero	1,200	673	−11	RHM	394	320	−4
Brit. Gas	53,000	75½	+3½	Reckitt & Col	24	£10¼	—
Britoil	6,100	172	−4½	Redland	232	477	−6
BP	6,850	723xd	−9	Reed Intl	1,900	416	−14
Brit. Telecom	5,200	244	−1½	Reuters	623	665½	−14½
Bunzl	753	225	−10	RMC	241	777	−7
Burton	2,000	270	−11	RTZ	233	752	−9
Cable & Wire	2,600	385	−1	Rowntree Mac	1,400	488	+1
Cadbury Schwps	3,000	255	+2	Ryl Bnk of Scotland	364	320	−4
Coats Viyella	566	586	−7	Royal Insurance	933	989	−11
Comm. Union	1,300	345	−7	STC	4,000	230	+2
Cons. Gold	1,000	752	−17	Saatchi & Saatchi	643	878xd	−13
Cookson	236	560	−13	Sainsbury	659	489	−1
Courtaulds	570	407	−5	Scott & Newcastle	1,000	228	−2
Dee Corp	1,200	247	−2	Sears	4,100	139½	−3
Dixons Grp	3,700	372	−4	Sedgwick	2,500	314	+2
English China Clays	410	388xd	−4½	Shell Trans	2,900	£10⅛	−⅛
Fisons	93	646	−7	Smith & Nephew	8,200	167½	+5½
Gen. Accident	354	970	−9	Standard Chart	143	757	−2
Gen. Elect	8,300	219	−1	Storehouse	5,400	288	—
Glaxo	3,550	£14$\frac{11}{16}$	−$\frac{5}{16}$	Sun Alliance	437	755	−24
Globe Investment	809	148	−1	TSB	5,500	78	−½
Granada	1,700	353	−1	Tarmac	690	536	−10
Grand Met	1,200	493xd	−5½	Tesco	831	445	−5
Gus "A"	148	£12$\frac{7}{16}$	−$\frac{1}{16}$	Thorn EMI	2,900	580	+5
Guardian R.E.	455	928	−11	Trafalgar House	1,400	316	−5
GKN	623	345	−3	T'house Forte	3,400	213	−3
Guinness	3,300	307	−6	Unigate	272	365	−5
Hammerson Prop	497	490	−5	Unilever	228	£24$\frac{7}{16}$	−$\frac{3}{16}$
Hanson Trust	6,987	165	−1	United Biscuits	2,700	279	−5
Hawker Sidd	539	531	−16	Wellcome	6,300	440	+17
Hillsdown Hlgs	726	267	−2	Whitbread 'A'	710	310	−5
ICI	1,900	£14	+$\frac{1}{16}$	Willis Faber	74	453	−1
Imp. Cont. Gas	666	625xd	—	Woolworth	194	770	−5
Jaguar	346	624	−6				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	30	30
Corporations, Dominion and Foreign Bonds	6	20	44
Industrials	559	471	508
Financial and Properties	149	231	207
Oils	19	38	55
Plantations	2	3	9
Mines	95	33	54
Others	58	91	34
Totals	941	917	941

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Monday February 23 1987

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

Feb. 23	Price Sch.	+ or —
Credi'nst'lt pp	1,995	+15
Goesser	2,985	—115
Interunfall	13,100	......
Jungbunzlauer	9,450	—850
Laenderbank	1,980	+20
Perlmooser	651	......
Steyr Daimler	147	+3
Veitscher Mag	945	+15

BELGIUM/LUXEMBOURG

Feb. 23	Price Frs.	+ or —
B.B.L.	2,900	......
Banq.Gen. Lux	15,550	......
Banq.Int.A.Lux	15,200	......
Bekaert	9,600	......
Ciment CBR	4,370	—50
Cockerill	140	—1
Delhaize	3,045	+5
EBES	5,060	—150
Fabrique Nat	1,900	—70
GB Inno BM	1,044	—10
GBL (Brux)	3,440	+20
Generale Bank	6,290	+10
Gevaert	6,180	—40
Hoboken	7,450	—20
Intercom.	4,140	—10
Kredietbank	4,300	......
Pan Holding	11,160	+200
Petrofina	9,600	+40
Royale Belge	24,465	—135
Soc.Gen. Belge	3,300	—50
Sofina	12,500	+50
Solvay	9,000	—70
Stanwick Int.	300	......
Tractebel	6,640	+20
UCB	9,750	—90
Wagons Lits	5,530	—120

DENMARK

Feb. 23	Price Knr %	+ or —
Baltica Skand	905	+10
Cop Handels'nk.	278	+7
D. Sukkerfab.	346	......
Danske Bank	332	—1
East Asiatic	210	+2
Forenede Brygg.	905	......
GNT Hld	321	......
I.S.S.B	840	+15
Jyske Bank	515	+20
Novo Inds*	257	......
Privatbanken	280	+8
Sophus Berend.	805	......
Superfos	170	......

FINLAND

Feb. 23	Price Mka	+ or —
Amer	212	+6
KOP	48.2	+1.2
Kone	168.5	+1.5
Finnish Sugar	113.5	+12.5
Nokia	152	+4
Pohjola 'B'	84.6	+8.0
Rauma-Repola	20.7	+0.2
Stockmann 'B'	186	+9
UBF 'C'	38.5	+1.5
Wartsila (817)	204.5	+12.6

NETHERLANDS

Feb. 23	Price Fls	+ or —
ACF Holdings	60.5	+0.2
AEGON	85.9	—0.5
Ahold	107	—2.4
AKZO	131.7	—1.1
ABN	507.5	—9.5
AMEV	65.2	—1.1
AMRO	84.6	—1.7
Bredero Cert.	72	+2
Buehrmann Tet.	52.1	—0.6
Dordtsche Pet'm	200	+1
Elsevier-NDU	242	—2
Fokker	53.5	—1.3
Gist Brocades	41.4	+0.2
Heineken	153.5	—3.9
Hoogovens	37.8	—1.7
Hunter Doug NV	67	—0.4
IHC/Caland	17.5	—0.3
Int. Mueller	65	—1.5
KLM	41.5	—0.2
KNP	145.5	—1.5
Nat Ned Cert.	78.7	—0.4
Ned Mid Bank	175	—2
Nedlloyd	162.1	+0.1
Oce Grinten	382	—5.5
Ommeren (Van)	35.2	+0.6
Pakhoed	52.5	—0.8
Philips	45.9	—0.2
Robeco	98.6	—0.7
Rodamco	140.5	......
Rolinco	96.7	—0.6
Rorento	60.3	+0.1
Royal Dutch	213.2	—0.8
Unilever	505	—2.5
VMF Stork	25.5	—0.2
VNU	312.5	—2
Wessanen	78	+0.3
Watters Samson.	113.5	+2.5

GERMANY

Feb. 24	Price Dm.	+ or —
AEG.	394.5	+3.5
Allianz Vers	1,710	—25
BASF	245.8	—2.7
Bayer	285.3	—5.8
Bayer-Hypo	428	—11
Bayer-Verein	421	—7.5
BHF Bank	422	—12
BMW	486	—9
Brown Boveri	286	+1
Commerzbank	250	—11.5
Cont'l Gummi	303	—5.9
Daimler-Benz	931	—21.5
Degussa	464.5	—11.5
D'sche Babcock	234	—6
Deutsche Bank	646	—19
Dresdner Bank	339.8	—9.2
Feld-Muehle Nbl	275.5	—2.5
Henkel	478.5	—3.5
Hochtief	912	—3
Hoechst	244.6	—3.6
Hoesch Werke	99.5	—1.5
Holzmann (P)	600	—1.5
Horten	224	—2.5
Hussel	572	—5
Karstadt	443	—10
Kaufhof	476	—4.5
KHD	155	—0.8
Kloeckner	56	+0.1
Linde	605	—6
Lufthansa	171	—1
MAN	153	—1.8
Mannesmann	160.5	—1.5
Mercedes Hld.	770	—15
Metallgesell	256	—4
Muench Rueck	1,830	—20
Nixdorf	704	—1
Porsche	870	+5
Preussag	168.5	—3.5
Rhein West Elect	228	—4
Rosenthal	274	—6
Schering	606.5	—3.55
Siemens	643	+8.5
Thyssen	115.5	—1.0
Varta	353	—2
Veba	269	......
V.E.W.	155.2	+1.2
Verein-West	431	—1
Volkswagen	341	—5

ITALY

Feb. 23	Price Lira	+ or —
Banco Com'le	23,610	......
Bastogi-IRBS	581	—4
C.I.R.	5,990	+39
Credito Italiano	3,150	+50
Fiat	17,850	+40
General Assicur.	130,700	+800
Italcementi	72,850	+550
La Rinascente	1,155	+50
Montedison	2,815	—25
Olivetti	12,385	+515
Pirelli Co.	6,980	......
Pirelli Spa	5,095	+19
Saipem	4,500	......
Snia BPD	4,670	+18
Toro Assic	29,900	+880

FRANCE

Feb. 23	Price Frs.	+ or —
Emprunt 4½% 1973	1,553	+7
Emprunt 7% 1973	7,775	+75
Accor	530	+5
Air Liquide	709	+7
BIC	720	......
Bongrain	2,480	+100
Bouygues	1,224	—26
BSN Gervais	4,699	+89
CIT Alcatel	2,238	......
Carrefour	3,585	+25
Club Mediter'n	680	+14
Cie Bancaire	1,020	+8
Cofimeg	403.9	—1
Damart	2,455	—53
Darty	480	......
Dumez S.A.	2,089	+19
Eaux (Cie Gen)	1,432	—3
Elf Aquitane	337	—0
Essilor	3,400	+20
Gen.Occidentale	1,246	+6
Imetal	102	+2
Lafarge Coppee	1,419	+24
L'Oreal	3,959	+99
Legrand	5,320	—30
Maisons Phoenix	172	—1
Matra S.A.	2,412	—249
Michelin B	2,875	—6
Midi (Cie)	1,550	+20
Moet-Hennessy	2,409	+16
Moulinex	91	......
Nord Est	197.6	—0.4
Pernod Ricard	1,025	+22
Perrier	746	—2
Petroles Fra.	450	—0.1
Peugeot S.A.	1,293	—2
Printemps (Au)	641	—24
Radio Tech	1,320	—27
Redoute	2,700	......
Roussel-Uclaf	1,662	+22
Selimeg	471	—3
Skis Rossignol	1,351	+9
Telemec Elect	3,200	+30
Thomson (CSF)	1,488	+3
Valeo	457	+12

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

NORWAY

Feb. 20	Price Kroner	+ or —
Bergens Bank	191	+1
Bergeson B.	268	......
Christiana Bank	209	—3
DenNorske Cred.	172	—0.6
Elkem	91	—2
Kosmos	135	......
Kvaerner	177	+1.5
Norcem	127	+0.5
Norsk Data	216	......
Norsk Hydro	184	—5
Orkla-Borregaard	397.5	+4.5
Storebrand	306	—4

SPAIN

Feb. 23	Price Pts %	+ or —
Bco Bilbao	1,680	+20
Bco Central	1,130	+14
Bco Exterior	585	......
Bco Hispano	629	+4
Bco Popular	1,894	+6
Bco Santander	1,200	+25
Bco Vizcaya	2,000	+25
Banesto	670	+30
Dragados	725.5	+34.5
Hidrola	82.7	—4.5
Iberduero	157.7	—1
Petroleos	598.5	+17.5
Telefonica	189.5	+2.3

SWEDEN

Feb. 23	Price Kronor	+ or —
AGA	163	+1
Alfa-Laval B	290	—1
ASEA (Free)	334	......
Astra (Free)	625	+5
Atlas Copco	163	+4
Beijer A B	168	+2
Cardo (Free)	180	......
Cellulosa	283	+5
Electrolux B	297	+2
Ericsson B	225	+1
Esselte	152	+4
Mo och Domsjo	270	+2
Pharmacia	239	+3
Saab Scania Free	560	......
Sandvik	161	+1
Skandia	136	+2
Skan Enskilda	117	+1
SKF	346	+2
Stora Kopparbrg	315	+13
Sven. Handlsbnk	415	+5
Swedish Match	428	+3
Volvo B (Free)	313	+6

SWITZERLAND

Feb. 23	Price Frs.	+ or —
Adia Intl	9,425	—25
Alusuisse	481	—11
Bank Leu	3,450	—100
Brown Boveri	1,705	—25
Ciba Geigy	2,950	—20
do. (Part Certs)	2,000	—50
Credit Suisse	3,300	—100
Elektrowatt	3,700	—50
Fischer (Geo)	1,735	—5
Hoff-Roche PtCts	133,600	......
Hoff-Roche 1/10	12,950	—400
Jacobs Suchard	7,900	—200
Jelmoli	4,010	—65
Landis & Gyr	1,690	+20
Nestle	8,625	—225
Oer.Buehrle	1,115	—15
Pargesa Hldgs	2,100	—20
Pirelli	429	—3
Sandoz (Br)	10,300	—100
Sandoz (Pt Cts)	1,570	—75
Schindler (PtCts)	625	—25
Sika	1,740	—10
Surveillance A	8,000	—165
Swissair	1,160	—30
Swiss Bank	468	—28
Swiss Reince	16,400	—250
Swiss Volksbk	2,240	—90
Union Bank	5,250	—266
Winterthur Inh	6,275	—200
Zurich Ins	7,250	—300

AUSTRALIA

Feb. 23	Price Aust. $	+ or —
ACI Intl	5.95	......
Adelaide Steams	13.6	+0.1
Amcor	4.62	+0.07
ANZ Group	5.68	+0.02
Ampol Pet	2.96	......
Ariadne	3.6	......
Ashton	3.1	......
Aust. Guarantee	3.55	......
Aust. Nat. Inds	3.5	+0.05
Bell Group	10.55	+0.2
Bell Res	4.6	—0.1
Bond Corp Hldgs	2.72	......
Boral	4.65	+0.05
Bougainville	3.26	......
Brambles Inds	8.9	......
Bridge Oil	0.88	+0.01
BHP	10.46	......
Burns Philp	9.9	......
CRA	7.04	—0.08
CSR	3.85	......
Chase Corp	4.4	+0.15
Claremont Pet	0.69	+0.02
Coles Myer	6.16	—0.04
Comalco 'A'	2.85	......
Consolidated Pet	0.52	......
Costain Aust	4.20	......
Elders IXL	5.0	+0.02
Energy Res	1.75	......

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

CANADA

TORONTO

Closing prices February 23

[illegible]

MONTREAL

Closing prices February 23

[illegible]

Indices

NEW YORK

[illegible]

TOKYO – Most Active Stocks

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Nippon Steel	41.27m	285	— 5	Mitsui Eng & Ship	11.78m	238	—18
Kobe Steel	28.54m	283	— 5	Dainippon Ink	11.28m	1,840	+58
Taisei	18.44m	985	+15	Toa Harbour Works	10.99m	805	+20
Shimizu Const	17.82m	980	+68	Japan Line	10.35m	120	unch
Tobu Railway	15.51m	1,940	+54	Nippon Mining	9.74m	488	+ 5

** Saturday February 21: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3. and Australia. All Ordinary and Metals—500: NYSE All Common—50; Standard and Poors 10: and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Treas. 2½pc IL 2024	£84⅝	+⅞
Birmid Quale	256xd	+44
Br Walker	378	+11
Bryson Oil & Gas	106	+15
Burm Oil	462	+ 9
Cent Oils	150	+ 7
Conder	173	+15
Consul (Co. & Fin.)	222	+20
FII Group	460	+65
Greenwich Res.	193	+25
Highgate & Job	280	+25
McAlp (A.)	504	+16
Manganese Br	158xd	+18½
Mrs. Fiels	179	+15
Newb & Burt	98	+ 7
Norcros	345	+55
Persimmon	335	+29
Plessey	241½	+17½
Racal Elec.	249½	+21½
Sun Life	973	+16
Tate & Lyle	740	+29
Trencherw	538	+30
Wellcome	440	+17
Whitecroft	312	+13

FALLS:

Burton	270	—11
Midland Bk	619	—18
Morgan Cren	393	—10
NatWest Bk	617	— 7
News Intl.	£24¾	—¾
Royal Ins.	989	—11

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

Stock	Sales (Hhds)	High	Low	Last	Chng
RPM .72	24 141	25	24¼	24¼	— ⅛
RadSys	12 232	9⅞	9½	9⅞	+ ⅜
Rainer 1.16	14 10074	u49	44⅜	47½	+5¼
Readng	21 4	24	23¾	23¾	— ¼
Reeves	26 556	10⅝	10⅛	10¼	
Refac	100 36	11	10¼	11	— ¼
RgcyEl .20	549	6⅞	6⅝	6⅝	— ⅛
RnlCtrz	32 408	29¾	29½	29¾	+ ¼
RepAm.10e	8 145	16	15⅝	15⅞	
Soutrst .80	11 164	23⅛	23¼	23¼	— ⅝
Sovrgn .10	129 903	9⅛	8⅞	9	⅛
Sovran 1.36	11 x532	37	36⅝	37	
Speedys	28 5960	20	19¾	20	
SpecCtl .07	18 524	9⅞	9⅝	9⅝	— ⅛
StarSur	36 239	8⅛	8	8	
StafBld .20	44 x227	8⅞ d	8¼	8⅝	— ¼
Standy 1.20	18 257	40½	40¼	40¼	— ¼
StdMic	788 995	15⅞	15½	15¾	
StdReg .80	18 127	44⅞	44¼	44½	— ⅜
StaStBs .40	16 965	31⅛	30⅞	31	+ ⅛
UnPlntr.10e	15 6	37¼	37¼	37¼	
UnWarn	28 5	46¾	46¾	46¾	— ⅛
UACms .04	97 2365	22½	22	22⅜	+ ⅛
UBWash	12 645	u38¼	37½	37⅞	+1⅝
UBCol 1.08	12 40	23⅛	22⅞	22⅞	— ¼
UCaroB1.04	10 20	29	28¼	28¼	— ½
UCtyGs1.60	18 x10	26	25½	25½	— ½
UnCosF .50	7 4	19	18½	19	
UFireCs .80	15 57	32¾	32	32	— ¾
UHltCr	15 126	8¼	8	8⅛	— ⅛
Utdins	75	24½	23¾	23¾	— ½
XLData	40 83	24	23	23	—1
XOMA	958	18¾	18¼	18¼	— ¼
Xicor	2845	11½	11¼	11⅜	
Xidex	30 5407	14⅜	14⅛	14⅜	— ¼
Xyvan	33 438	17¼	16¾	16¾	— ½
YlowFs .62	15 2566	36½	35⅝	35⅞	— ½
ZenNtl .80	18 82	24½	24¼	24¼	
ZionUt 1.44	13 16	45¼	44½	44½	— ⅜
Zondvn	33 235	28¼	27⅞	27⅝	— ⅝

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NEW YORK CLOSING PRICES

Continued from Page 45

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28⅞	18⅝	AAR	s	.50	1.8	20	131	28⅞	27⅝	28⅜	−½
34	21⅞	ADT		.92	2.8	19	x553	33	31⅞	32½	−⅝
38½	20	AFG	s	.12i	.3	11	381	36½	35⅝	38½	
37	16¾	AGS				21	231	36¼	35½	35½	−¾
15	6¾	AMCA					39	8⅝	7⅞	7⅞	−½
9	4⅞	AM	Intl			288	2061	8¾	8⅜	8⅝	−⅛
62⅞	47¾	AMR				13	5111	58⅝	57½	58¼	−¼
27½	24	ANR	pf	2.67	10.		2	25⅞	25⅞	25⅞	−⅛
16½	10	ARX		.71t	5.4	13	194	13¼	12¾	13¼	+⅜
42⅛	28¾	ASA		2a	4.9		1326	41⅛	40⅛	40⅞	
18	9¾	AVX			2.1		199	16⅛	15¼	15½	−⅜
32	26½	AZP		2.72	8.7	10	2748	31¼	31	31⅛	
62⅝	33	AbtLb	s	.84	1.4	25	8144	61	58¾	59	−2
33¼	25	AccoWd		.62	1.8	22	182	u33⅞	32⅞	33⅞	+1
14⅛	9	AcmeC		.40	3.0	24	250	13¼	12¾	13⅛	+⅛
9¼	6⅛	AcmeE		.32b	4.4	25	21	7½	7¼	7¼	−⅛
23⅞	18⅛	AdaEx		3.42e	16.		125	22¼	21¾	21⅞	−½
17¾	11⅜	AdmM	s	.24	1.4	14	73	u17⅞	17⅜	17½	−⅛
20⅞	12⅛	AdvSys		.62t	3.2	16	84	19⅝	19½	19½	−⅛
32¾	12⅞	AMD					6535	21¾	20½	21½	−¼
10⅜	5¼	Adobe					104	8¾	8½	8⅝	
19⅞	13¾	Adob	pf	1.84	9.4		26	19⅞	19⅝	19⅝	−¼
21⅞	16⅜	Adob	pf	2.40	11.		15	21⅜	21⅛	21¼	−⅛
18⅜	11½	Advest		.12a	.9	11	x187	13⅞	13¼	13¾	+⅛
66¾	53	AetnLf		2.64	4.0	11	7039	66	64⅝	65⅝	−1
54⅜	51⅛	AetL	pf	3.94e	7.4		400	53	52⅞	53	
101½	87¼	AetL	pfC	5.67e	6.1		z5	93¼	93¼	93¼	−¾
48	19¼	AflPb	s	.32	.7	24	275	46¾	44⅝	44⅝	−1⅝
26¾	18⅞	Ahmns		.88	3.4	8	6101	26⅛	25⅛	25¾	−⅝
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
57¼	45⅞	NSPw pf4.08		7.1		z120	57½	57⅛	57⅛	+½
44½	26¾	NorTel	.40	.9		1915	43¼	41½	42⅝	-1
6⅝	3	Ntngal g				167	6	5¾	5⅞	
51⅝	36⅞	Norwp	1.20	2.7	40	1848	44½	43¼	43⅞	-⅝
21	13¼	NwStW.10e		.6	17	119	17	16⅝	16⅞	+¼
50	35	Norton	2	4.3		348	47¼	46	46	1½
42¾	31¾	Norwst1.80		4.3	12	726	42⅝	41⅞	42¼	
40	28½	Novo	.34e	.9	17	984	38⅛	36¾	36¾	-1¼
46⅛	29⅛	Nucor s	.32	.9	13	427	36⅝	35⅝	36⅛	-¼
73¼	51¾	Nynex s3.48		5.2	11	2800	67⅛	66	66⅝	-⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	7⅝	RepGyp.36		4.0	11	x638	10	9	9	-⅞
57¾	37¾	RepNY1.18		2.1	11	585	54⅝	53½	54⅝	+⅞
32	17½	RepBk	1	4.8	13	949	21⅛	20¾	21	
29	24⅞	RepBk pf2.12		7.7		11	26⅛	26	26	-⅛
32⅞	25	RshCot .32		1.2	13	117	28	27½	27⅝	½
19¼	10¼	Revlon				3027	14¾	13⅞	14⅝	
45⅝	25⅛	Rexhm .80		1.8	17	37	45¼	44⅝	44⅝	½
28⅝	14⅝	Rexnrd .44		1.7		1882	26⅛	26	26	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅜	7½	vjWhPit				88	8½	8⅛	8⅛	¼
41½	29¼	Whrlpl s1.10		2.8	14	3078	38⅝	37¾	38⅝	+¼
34¾	21	Whitehl			26	114	26	24½	25⅝	¼
35	21	Whittak .60		1.8		91	33¾	33⅝	33⅝	⅛
17¼	8⅝	Wilfred .12		1.2	11	34	10½	10⅜	10⅜	⅛
20¼	11⅞	WillcxG.15		.8	11	62	19⅝	19½	19½	

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Monetary and political fears trigger fall

WALL STREET

BANK STOCKS led a short, sharp retreat on Wall Street yesterday as negative economic and political news triggered heavy selling, *writes Roderick Oram in New York.*

After opening slightly ahead, stock markets fell rapidly in mid-morning as investors became pessimistic about the impact on banks of Brazil's interest payments moratorium, and the slow and only modestly positive response credit and foreign exchange markets gave the industrial nations' currency pact. The Reagan Administration's growing difficulties over the Iran arms affair added to the gloom.

The Dow Jones industrial average closed down 18.89 points at 2,216.54. At its worst it had been down 44 points before staging a partial recovery. Some share sales were triggered when stock index futures fell to a discount to the underlying stocks although this pressure evaporated when the futures rebounded to a premium.

Among the broader market indices, the Standard & Poor's 500 fell 3.10 to 282.38 and the New York and American stock exchange composite indices lost 1.70 to 161.12 and 1.57 to 316.33 respectively.

Institutional investors did not appear to be heavy sellers during the morning. The session's trading volume was moderately heavy at 170.9m with declining issues outpacing those rising by 1,151 to 433 although the ratio had been as high as six-to-one in mid-morning.

The recovery was helped by some technology stocks. IBM rose $3⅜ to $143⅜ on nearly 3m shares boosted by an anlayst's buy recommendation.

Money centre banks with large Third World loan exposures were hit hard by Brazil's interest payment moratorium. Citicorp fell $3⅜ to $54½, Chase Manhattan dropped $1⅞ to $38¼, Manufacturers Hanover gave up $1¼ to $46¾, Chemical lost $2⅜ to $46½, J. P. Morgan shed $1½ to $45¾ and BankAmerica retreated $⅝ to $11½.

Rainier Bancorporation jumped $5¼ to $47½ on more than 1m shares in the over-the-counter market. The Seattle bank holding company said it was discussing takeover offers from two large unidentified competitors. Analysts believed the suitors were Security Pacific, off $1⅛ to $40¼, and First Bank System, down $1 to $33.

Bally Manufacturing, the health club and casinos group, dropped $1⅛ to $18½. It paid Mr Donald Trump, a New York raider, $24.08 a share for 2.6m Bally shares he held and gave him the option to sell another 500,000 at $33. In total, Mr Trump held a 9.9 per cent stake which has netted him about $24m from a three-month attempt to take over Bally.

American Motors, the car maker controlled by Renault of France, rose $⅛ to $3½ on 1.2m shares after reporting a $20m profit in the fourth quarter compared with a loss of $6.7m a year earlier. Its loss for the full year was sharply lower from 1985's loss.

Viacom added $1⅞ to $47⅞. It received a revised takeover offer from Arsenal Holdings, a subsidiary of National Amusements.

Celanese was suspended at $245 pending its delisting as Hoechst completes its purchase of it.

The credit markets showed no significant reaction until mid-afternoon to the weekend agreement by finance ministers from the six leading industrial nations to try to help stabilise currency rates near present levels.

Prices of US government securities rallied modestly late in the session with the 7.50 per cent benchmark Treasury long bond adding ¹³⁄₃₂ of a point to 99¼ at which it yielded 7.52 per cent.

Credit and foreign exchange market players were somewhat unsure about the implications of the Paris pact. The language of the accord was unspecific but comments by participants about increased swap facilities, for example, could indicate a greater central bank willingness to intervene in foreign exchanges. This might involve US authorities which traditionally intervene very occasionally.

US analysts continue to believe that the dollar's level will be more keenly influenced by domestic US economic figures, particularly the trade deficit, than by central bank intervention.

The pact could thus face a major test on Friday with the release of the January deficit. Forecasts of the deficit range from $10bn to $15.5bn with a median of $14bn, compared with a shortfall of $10.7bn in December. Foreign exchange markets could try to drive down the dollar if December's deficit is revised upwards or if there are few signs of an underlying trend towards lower deficits.

□ Warner Communications has bought a 50 per cent stake in Gulf & Western's US cinema chains. The reverse was erroneously reported last Friday.

CANADA

AFTER A 35-point fall in early trading, share prices in Toronto continued to slide on concern over Brazil's suspension of debt payments.

Losing issues outpaced gains by 480 to 258, with bank shares the worst hit in a re-run of Friday's session.

In active trading, Royal Bank lost C$1¼ to C$34¾, Bank of Montreal C$1⅜ to C$34⅞, Bank of Nova Scotia C$1¼ to C$18½ and Toronto Dominion C$1⅜ to C$27⅞.

Dome Petroleum edged up 1 cent to C$1.19 and Canadian Pacific dropped C$⅜ to C$21¼ among other active stocks.

Banks also led a broad decline in Montreal.

Kevin Hamlin reports on the latest Hong Kong record

Mr Li inspires run to new peak

THE LATEST record high in Hongkong yesterday focused on property tycoon Mr Li Ka-shing's group of companies whose shares surged amid strong market rumours of an imminent reorganisation.

The Hang Seng index climbed 51.61 to a peak of 2,879.01, almost entirely on trading in shares of Cheung Kong Holdings, the group's flagship company, Hutchison Whampoa, the trading group controlled by Mr Li, and Hongkong Electric, the utility in which Mr Li holds a 24 per cent stake.

Speculation grew when Green Island Cement, a trading concern controlled by Cheung Kong, was suspended from trading without explanation.

Mr Li has also surprised the market by bringing the reporting date for group results forward by a month to next Monday.

The expectation of corporate moves within the Li empire has been further stoked by rumours that nominee interests have built up a 24 per cent stake in Hongkong Electric.

Cheung Kong jumped HK$3.25, or nearly 8 per cent, to HK$47, Hutchinson Whampoa gained HK$1.50 to HK$56, and Hongkong Electric added HK$1.00 to HK$16.10, all 12-month highs.

The three concerns accounted for almost a third of the Hang Seng index's HK$1.76bn (US$226m) turnover, compared with HK$1.56bn on Friday when the index rose 51.58 points.

Analysts said a reorganisation would enable Mr Li to capitalise financially on the current bull market, which has seen the Hang Seng index rise by some 300 points this month.

They foresee flotations for the privately-held concerns like Union Faith, which holds a 43 per cent stake in Husky Oil of Calgary, Canada, or Hong Kong International Terminals (HIT).

HK-TVB, the territory's leading television company, fell against the trend, losing 20 cents to HK$13.60 after Australian entrepreneur Mr Alan Bond increased his shareholding to 26.7 per cent.

EUROPE

Banks lead downturn in Frankfurt and Zurich

THE SUSPENSION by Brazil of interest payments on its foreign commercial debt strongly discouraged European investors, hitting bank stocks particularly hard. There was also more caution than optimism over the likely success of the weekend currency accord.

Frankfurt fell sharply with fears over Brazil's debt cutting into bank shares then quickly affecting the rest of market. Deutsche Bank dropped some 3 per cent, by DM 20 to DM 645, Commerzbank shed DM 11.30 to DM 250 and Dresdner was DM 9.20 lower at DM 339.80.

Foreign investors added to selling pressure and the Commerzbank index, calculated at mid-session, was 23 down at 1,724.2.

Industrial blue chip Siemens fell DM 8.80 to DM 643, while chemicals Bayer and BASF fell DM 5.80 to DM 285.20 and DM 2.70 to DM 245.80 respectively. Hoechst shed DM 3.50 to DM 244.50.

Cars fared poorly. Daimler lost DM 21.50 to DM 931 in spite of having reported "pleasing" profits for 1986.

Bond prices fell sharply and the Bundesbank bought DM 35.6m of paper in its market balancing operations, after selling DM 114.6m on Friday.

Zurich was pulled lower by foreign and domestic selling of bank shares on Brazil's move. The Crédit Suisse stock index lost 7.9 to 527, its lowest level since October.

Union Bank dropped SFr 265 to SFr 5,250, Swiss Bank SFr 28 to SFr 468 and Crédit Suisse SFr 100 to SFr 3,300. Insurers were also down, with Zurich Insurance off SFr 300 to SFr 7,250

LONDON

A CAUTIOUS response by UK securities markets to the Paris agreement on exchange rates was balanced by good domestic news. Encouraging surveys on the economy from the employers' organisation, from the CBI, and the London Business School, provided early strength.

But optimism about lower interest rates faded and Wall Street's sharp early drop served to unsettle the market.

The FT-SE index fell back, giving up most of Friday's largest-ever points gain with a drop of 21.8 to 1,939.7. The FT Ordinary index was down 10.1 at 1,556.9.

Gilts prices fluctuated narrowly. Details, Page 42

Among other blue chips, Nestle fell SFr 225 to SFr 8,625 and Jacobs Suchard was SFr 300 lower at SFr 7,900.

Paris posted a cautious advance after the weekend attempt to stabilise world currencies.

Foods were one of the first export-oriented sectors to benefit from a more stable exchange rate climate BSN jumped FFr 89 to FFr 4,699 while Pernod added FFr 22 to FFr 1,025.

Amsterdam turned weak after a flurry of activity inspired by the weekend talks in Paris and the more stable dollar. Internationals eased, however, on the sharp opening falls on Wall Street: Akzo fell Fl 1.10 to Fl 131.70; Hoogovens retreated Fl 1.70 to Fl 37.80 and Unilever at Fl 505 was Fl 2.50 cheaper.

Brussels steadied in moderate volume. Wagons-Lits, the tourism group, however, sustained a sharp fall of BFr 120 to BFr 5,530 while chemical group Solvay retreated BFr 70 to BFr 9,000. Banks were unmoved by the Brazil news

Groupe Bruxelles Lambert advanced BFr 20 to BFr 3,440 amid news that its chairman Baron Leon Lambert is to step down. GBL has recently come under selling pressure due to the SEC investigation of its US affiliate Drexel Burnham Lambert. GBL has a 55.8 per cent stake in Lambert Brussels Corp which holds a 28.3 per cent interest in Drexel Burnham.

Milan gained ground amid the latest Consob moves on reform of bourse trading hours.

Industrials were bought higher on strong domestic demand.

Stockholm edged higher in confident trading that took Volvo SKr 6 higher to SKr 313.

Oslo continued to make modest progress

Madrid was led higher again by construction issues.

Consob reforms, Page 24

SOUTH AFRICA

LIGHT profit-taking brought gold share prices off the day's highs but the sector still closed slightly firmer in quiet trading.

Leading gold stock Vaal Reefs moved R5 ahead to R365, after touching R370 earlier. Beatrix rose 50 cents to R16.50.

Mining shares and mining financials also closed firmer with Anglo American up R1.25 at R69.75. Diamond share De Beers also firmed, by 30 cents to R40.

Industrials continued to make up group, with the index up 9 on Friday's record close of 1,580.

ASIA

Brazil debt move forces retreat by financials

TOKYO

BRAZIL'S suspension of foreign debt interest payments sparked a wave of selling in Tokyo yesterday which centred on financial issues and drove share prices sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues fell 139.89 from last week's close to 19,940.50. Volume decreased to 626m shares from Friday's 982m in lacklustre trading. Declines outnumbered advances by 498 to 374, with 147 issues unchanged.

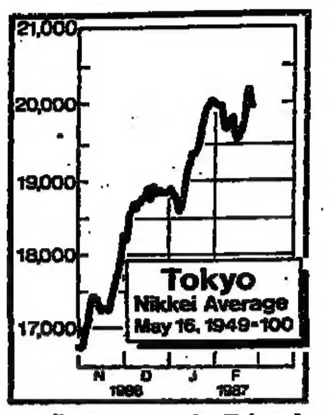
Against the trend, however, Nippon Telegraph and Telephone (NTT) closed Y250,000, or 11 per cent higher at Y2.4m, double its initial selling price of Y1.19m.

Issues relating to the Government's fiscal investment and loan programme were sought on the strength of Japan's commitment to expand domestic demand, renewed at the meeting of finance ministers from the leading industrial countries in Paris at the weekend. Among financials, Sumitomo Bank plunged Y160 to Y3,080, Sumitomo Trust and Banking Y220 to Y4,060, Industrial Bank of Japan Y180 to Y3,060 and Bank of Tokyo Y90 to Y1,250. Securities issues also fell, with Nomura Securities falling Y60 to Y4,130.

Large-capital steel and shipbuilding issues were weaker. Nippon Steel topped the active list, but its volume totalled only 41.27m shares, a 10th of its peak volume in early February. The issue declined Y5 to Y285.

Kobe Steel, the second-busiest issue with 26.54m shares changing hands, shed Y5 to Y283. Mitsui Engineering and Shipbuilding, with 11.79m shares traded, dropped Y10 to Y239 while Kawasaki Steel finished Y11 lower at Y218.

Blue chips were bought in early trading following agreement on exchange-rate stability at the finance leaders' meetings in Paris. However, blue-chip issues turned easy as the dollar slipped below Y154 after a firm start on the Tokyo foreign exchange market.



Matsushita Electric Industrial, which opened Y20 higher, finished Y30 lower at Y1,940. Hitachi lost Y20 to Y1,030 and Fuji Photo Film Y30 to Y3,570.

Reflecting investor expectations of expanded public works to boost demand, Taisei Corp was the third most active stock with 18.44m shares and jumped Y15m to Y985. Shimizu Construction, fourth with 17.93m shares, surged Y89 to Y989

Some private rail companies attracted buying interest. Tobu Railway was the fifth most active stock with 15.52m shares traded, rising to Y1,040, and Tokyo Corp added Y50 to Y1,520.

Biotechnology issues were sought toward the close, with Sankyo rising Y50 to Y1,650, Takeda Chemical Y20 to Y2,750 and Yamanouchi Pharmaceutical Y60 to Y3,950.

Bond trading was inactive, but prices rose, bolstered by speculative buying by dealers.

Sharp drops in bill discount rates on the short-term money market generated strong hopes among dealers that investment funds would be shifted to the long-term capital market.

Dealers bought the benchmark 5.1 per cent government bond and bonds with similar maturities to that of the benchmark issue.

The yield on the 5.1 per cent government bond, maturing in June 1996, dipped to 4.675 per cent from Friday's 4.685 per cent.

AUSTRALIA

LATE SELLING pressure brought Sydney prices down from the day's highs but left the All Ordinaries index up 1.0 at a third consecutive record close of 1,606.3.

Support remained strong for selected industrial and mining stocks. The All Industrials index put on a further 4.9 to close at a record 2,545.3. Among the sector's biggest advances, Lend Lease added 30 cents to A$11.60 prior to news of its interim results. Arnotts rose 10 cents to A$5.60 and Bell Group was 15 cents up at A$10.55.

In medias, News Corporation was unchanged at A$23.50 amid news of record operating profits. Fairfax added 10 cents to A$16.60, Queensland Press firmed by 50 cents to A$22.00 but Herald and Weekly Times slid back 40 cents to A$18.30.

Leading resource stock BHP was unchanged at A$10.45.

SINGAPORE

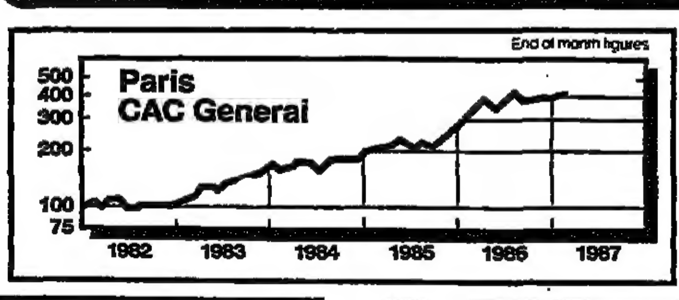
HECTIC late buying of quality stocks kept Singapore prices near record levels after profit-taking had trimmed an earlier surge. The Straits Times industrial index edged up 0.22 to a three-year high of 1,062.17.

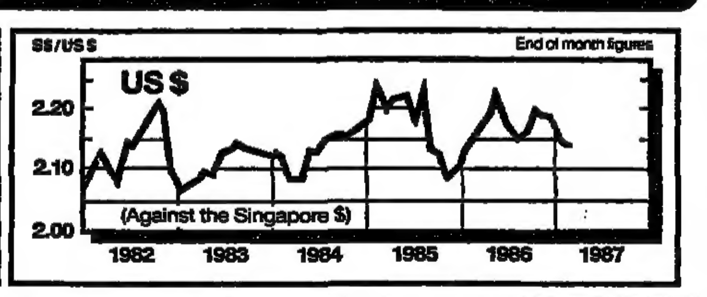
Blue chips were the main targets for late buyers. Haw Par, the most active stock in trade of 6.4m, picked up 16 cents to hit a 12-month high of S$4.08. Hong Leong Industries rose 16 cents to S$2.17, and Singapore Airlines jumped 20 cents more to S$11.10 in a run which has seen it advance by 20 per cent since January 8.

Among banks DBS rose 40 cents to a 12-month peak of S$12.20, and Tat Lee Bank put on 12 cents to S$3.22, but heavy profit-taking clipped 10 cents from OCBC to S$10.40 and 2 cents from OUB at S$3.84. Malayan Banking fell 10 cents to S$7.10.

Sime Darby, down 12 cents to S$2.76, and Singapore Press, down 15 cents to S$8.40, were among less favoured quality stocks.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Feb 23	Previous	Year ago
NEW YORK			
DJ Industrials	2,216.54	2,235.25	1,697.71
DJ Transport	938.95	915.55	797.72
DJ Utilities	220.41	222.02	185.53
S&P Comp.	282.38	285.48	224.62
LONDON FT			
Ord	1,556.9	1,567.0	1,275.2
SE 100	1,939.7	1,961.5	1,518.0
A All-share	965.86	974.35	745.76
A 500	1,072.12	1,080.78	822.26
Gold mines	313.7	300.9	332.1
A Long gilt	9.60	9.61	10.18
TOKYO			
Nikkei	19,940.5	20,080.4	13,394.3
Tokyo SE	1,729.42	1,752.27	1,070.13
AUSTRALIA			
All Ord.	1,606.3	1,605.3	1,057.0
Metals & Mins.	778.8	778.3	509.9
AUSTRIA			
Credit Aktien	203.86	204.77	236.91
BELGIAN SE			
Belgian	4,141.90	4,153.83	3,260.42
CANADA			
Toronto			
Met.& Mins.	2,447.2	3,535.3	2,178.0
Composite	3,487.8	1,794.82	2,809.7
Montreal			
Portfolio	1,761.54	—	1,138.39
DENMARK SE			
	-	206.58	229.77
FRANCE			
CAC Gen	421.10	419.70	313.9
Ind. Tendance	105.90	105.08	75.00
WEST GERMANY			
FAZ-Aktien	569.95	578.64	653.79
Commerzbank	1,724.20	1,747.2	1,968.1
HONG KONG Hang Seng	2,879.01	2,827.40	1,747.06
ITALY Banca Comm.	691.47	687.66	544.12
NETHERLANDS ANP CBS			
Gen	263.70	263.9	246.6
Ind	250.50	249.9	239.2
NORWAY Oslo SE	—	381.88	358.57
SINGAPORE Straits Times	1,062.10	1,061.95	640.44
SOUTH AFRICA JSE			
Golds	—	1,654.0	1,207.9
Industrials	—	1,571.0	1,140.4
SPAIN Madrid SE	255.95	252.18	114.18
SWEDEN J & P	2,390.78	2,370.92	1,836.47
SWITZERLAND Swiss Bank Ind	558.30	568.1	571.1
WORLD MS Cap. Int'l Feb 20	408.1	407.2	277.2

COMMODITIES (London)

	Feb 23	Prev
Silver (spot)	356.20p	356.25p
Copper (cash)	£922.50	£928.25
Coffee (March)	£1,525.00	£1,512.50
Oil (Brent)	$16.925	$17.275

GOLD ($/oz)

	Feb 23	Prev
London	403.75	399.75
Zürich	403.25	398.85
Paris (fixing)	405.10	401.14
Luxembourg	403.25	398.30
New York (April)	404.60	408.70

* Indicates latest pre-close figure

CURRENCIES (London)

	US DOLLAR Feb 23	US DOLLAR Previous	STERLING Feb 23	STERLING Previous
$	–	–	1.5425	1.5285
DM	1.8300	1.8275	2.8225	2.795
Yen	153.65	153.60	237	234.75
FFr	6.0925	6.0875	9.3975	9.305
SFr	1.5460	1.5445	2.385	2.36
Fl	2.0670	2.0625	3.1875	3.1525
Lira	1,302	1,299	2,008.5	1,985
BFr	37.90	37.84	58.45	57.80
C$	1.3325	1.3300	2.0545	2.0335

INTEREST RATES

Euro-currencies (3-month offered rate)	Feb 23	Prev
£	10¹¹⁄₁₆	10½
SFr	3⅞	3¹⁵⁄₁₆
DM	4⅛	4
FFr	8⅝	8⁵⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	6½	6⁷⁄₁₆
6-month US$	6⁹⁄₁₆	6⁷⁄₁₆
US Fed Funds	6.0*	5¹⁵⁄₁₆
US 3-month CDs	6.05*	6.35
US 3-month T-bills	5.445*	5.58

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	100-04	100-09	99-29	100-10
US Treasury Bills (IMM) $1m points of 100%				
March	94.51	94.54	94.47	94.46
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	94.01
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.57	93.61	93.56	93.61
20-year Notional Gilt £50,000 32nds of 100%				
March	118-18	118-26	118-04	118-11

US BONDS

Treasury

	February 23* Price	February 23* Yield	Prev Price	Prev Yield
6⅞ 1988	99²⁷⁄₃₂	6.311	99²⁶⁄₃₂	6.328
7¼ 1993	99²⁰⁄₃₂	7.036	99²⁴⁄₃₂	7.019
7¼ 1996	100⁹⁄₃₂	6.236	100⁸⁄₃₂	7.209
7½ 2016	99¹⁴⁄₃₂	6.545	99¹⁰⁄₃₂	7.54

Source: Harris Trust Savings Bank

Treasury Index February 23

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	162.37	+0.33	6.98	–0.04
1–10	154.27	+0.34	6.70	–0.05
1– 3	143.90	+0.29	6.39	–0.07
3– 5	157.25	+0.37	6.76	–0.04
15–30	191.29	+0.33	7.89	–0.01

Source: Merrill Lynch

Corporate

	February 23* Price	February 23* Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.24	6.15	93.35	6.10
SCBT South Central 10⅞ Jan 1993	105.375	9.68	105.375	9.68
Phibro Sal 8 April 1996	99.375	8.10	99.25	8.12
TRW 8⅜ March 1996	103.75	8.15	103.75	8.15
Arco 9⅜ March 2016	112.50	8.69	112.375	8.70
General Motors 8⅛ April 2016	94.50	8.64	94.375	8.66
Citicorp 9⅜ March 2016	102	9.18	102.5	9.13

Source: Salomon Brothers

* Latest available figures